

MCCLOSKEY, MULET & BONNIN APPRAISERS, P.S.C.
REAL ESTATE APPRAISERS AND CONSULTANTS

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APPRAISAL

**GOING CONCERN VALUE AND
REAL ESTATE MARKET VALUE OF
PALMAS DEL MAR COUNTRY CLUB
PALMAS DEL MAR RESORT
CANDELERO WARD
HUMACAO, PUERTO RICO**

PREPARED

For: Tourism Development Fund
c/o Mr. Javier Ramos-Luiña, Executive Director
PO Box 42001
San Juan, Puerto Rico 00940-2001

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Certified Real Estate Appraisers

Effective Date of Value: June 30, 2009

Date of Report: July 17, 2009

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July 17, 2009

Mr. Javier Ramos, Executive Director
Tourism Development Fund
PO Box 42001
San Juan, Puerto Rico 00940-2001

Dear Mr. Ramos:

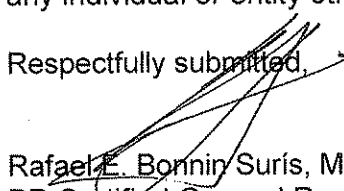
In accordance with your request, we have completed the necessary inspection and analysis of **Palmas del Mar Country Club**, a recreational property consisting of two championship golf courses, a golf clubhouse, a tennis center with a tennis courts and a clubhouse, a beach club, and other ancillary improvements. Palmas del Mar Resort is located at Road PR-908, in the Candelero Abajo Ward of Humacao, Puerto Rico.

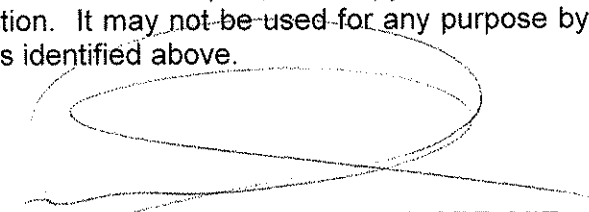
The purpose of the inspection and analysis was to develop a going concern and a real estate market value opinion for the subject property in its current condition, subject to the Extraordinary Assumptions identified on Page 3 of the attached appraisal report. The reader should be aware that changes in these assumptions could impact the reported value opinions. Property rights appraised are those of the fee simple interest of all components.

The intended users of the report are limited to the client (Tourism Development Fund) and its officers, and the property owner and its officers.

The accompanying report sets forth the description and analysis of the market area and the subject property, the comparable market data, and the analyses carried out, in order for us to arrive at the value opinions reported therein. Possession of the report, or a copy thereof, does not carry with it the right of publication or reproduction. It may not be used for any purpose by any individual or entity other than the intended users identified above.

Respectfully submitted,


Rafael E. Bonnin Surís, MAI
PR Certified General Real Estate Appraiser
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APPRAISAL REPORT

**GOING CONCERN VALUE AND
REAL ESTATE MARKET VALUE OF
PALMAS DEL MAR COUNTRY CLUB
PALMAS DEL MAR RESORT
CANDELERO WARD
HUMACAO, PUERTO RICO**

Palmas del Mar Country Club
July 17, 2009

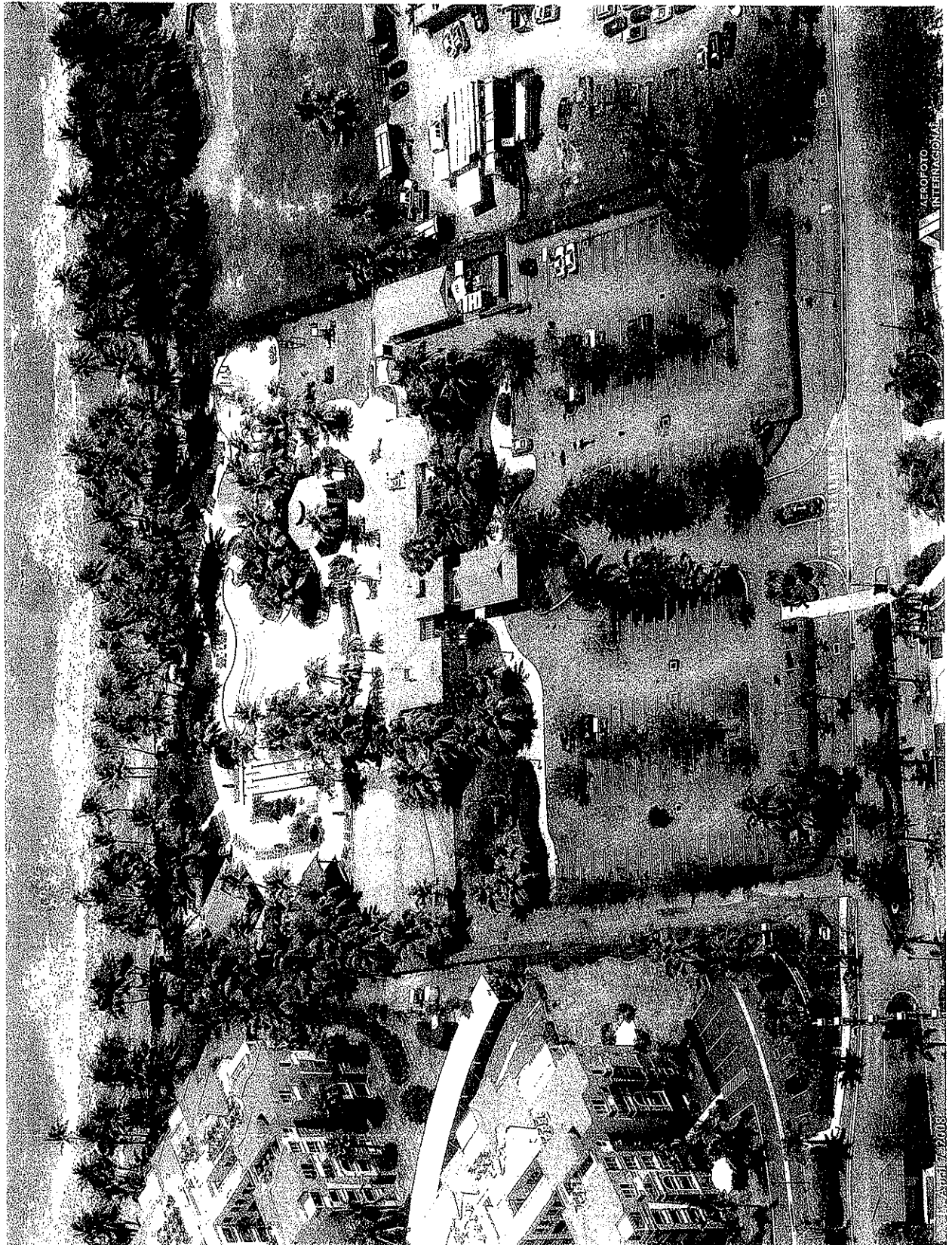
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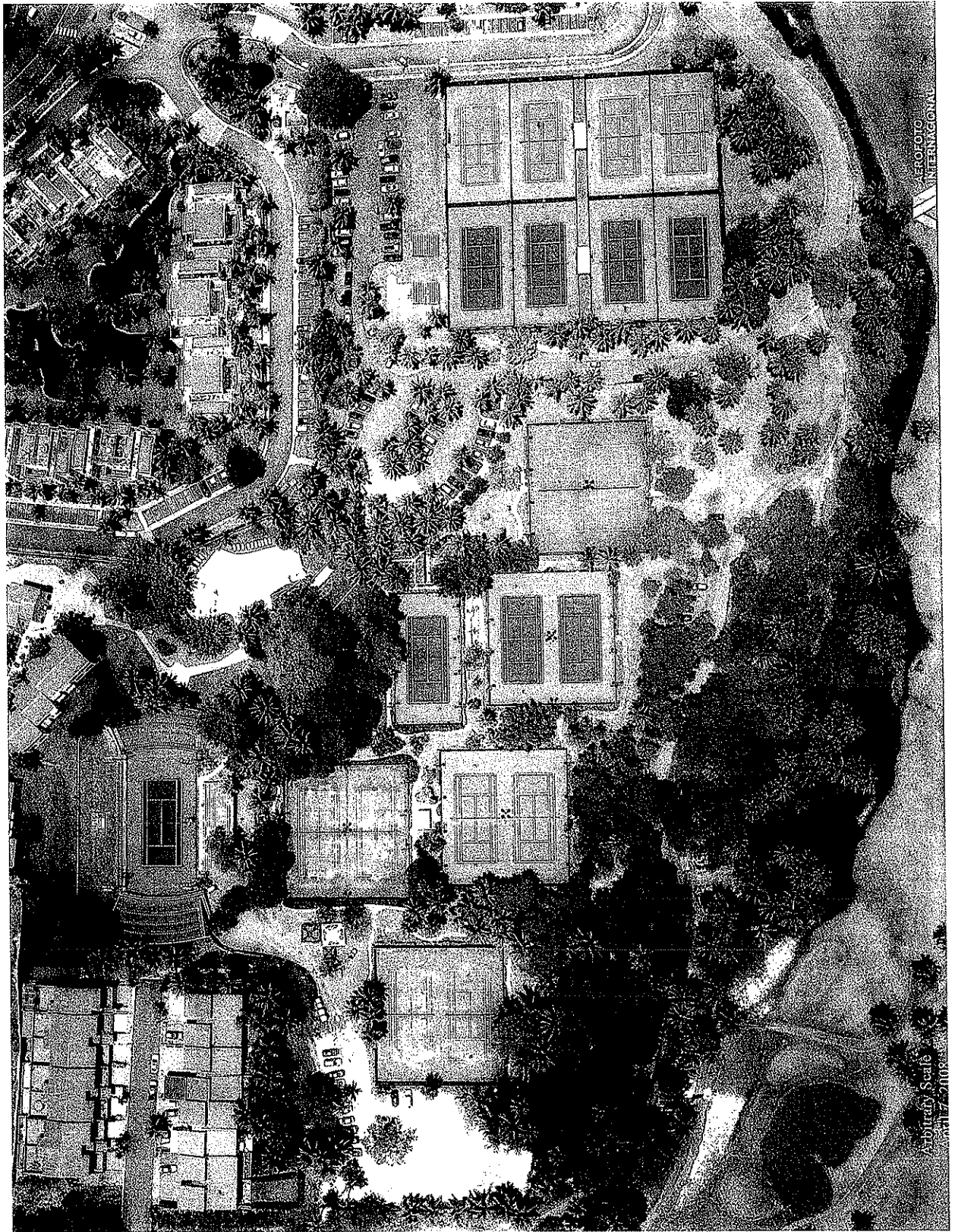
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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

The Subject Property

Palmas del Mar Country Club (PDMCC), a recreational facility with... comprised of a series of parcels with a total area of 432.03302 cuerdas, distinct components, namely a golf club having two championship golf courses, a beach club with two swimming pools, a dining facility, and other ancillary improvements; a tennis club with 20 courts, a clubhouse and other ancillary improvements. PDMCC is an integral component of the overall Palmas del Mar Resort, and the primary driver of first and second-home sales at the same. Palmas del Mar resort is located at Road PR-908, in the Candelerito Abajo Ward of Humacao, Puerto Rico.

Owner of Record

Palmas Country Club, Inc. (PCCI)

Client

Tourism Development Fund

Intended Users

The client and its officers, and the property owner and its officers.

Purpose of the Appraisal

To develop a current going concern and a current real estate market value opinion for the subject property as of an effective date of June 30, 2009, subject to the Extraordinary Assumptions identified on Page 3.

Property Rights

Fee simple estate.

Effective Date of Value

June 30, 2009

Date of the Report

July 17, 2009

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Intended Use of the Report

Financial reporting by the Tourism Development Fund

Report Format

Self-Contained

Final Market Value Opinion

Approach	Value Indication
Income Capitalization Approach	\$19,700,000
Sales Comparison Approach	\$24,200,000
Final Conclusion	\$22,000,000

The valuation analysis performed shows that there is no business enterprise value in the going concern over and above the real estate market value. Therefore, the going concern value and the real estate market value are numerically the same.

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EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined by USPAP 2008 as "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis."

The going concern and market value opinions in this appraisal are subject to the following extraordinary assumptions:

1. That the area, financial and statistical information provided by PCCI be accurate.

Any variation from the above Extraordinary Assumptions could materially alter the reported conclusions and market value opinions, and if so the valuation would have to be revised.

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GENERAL ASSUMPTIONS

This appraisal report has been prepared with the following general assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any and all liens or encumbrances unless otherwise stated. All taxes are assumed to be current. In specific cases, at the request of the client, the appraiser may present data on past due ad valorem taxes. However, this data is not certified and is only a verbal confirmation by the tax authority. This data should not be relied upon by the client and has no affect on the final value estimate.
3. The property is appraised as though under responsible, adequately capitalized ownership and competent property management.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the properties.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless such nonconformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the utilization of the land and improvements are within the boundaries or property lines of the property described and that there is no encroachment by or upon unless noted in the report.
11. The availability of capacity and/or connection rights to any or all public utilities have not been determined by us. The value opinions reported herein are contingent upon and limited to said capacity and right of connection.

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GENERAL LIMITING CONDITIONS

1. We will not be required to give testimony or appear in court because of having made this appraisal, with reference to the properties in question, unless arrangements have been previously made thereof.
2. Any cause of action resulting between the appraiser and the client in conjunction with this appraisal, either directly or indirectly, will be limited in damages to the amount of the appraisal fee received for the assignment. Furthermore, it is agreed that you will indemnify McCloskey, Mulet & Bonnin Appraisers, P.S.C. for any damages, costs, expense, and attorney's fees resulting from any cause of action by any interested party, other than the client, concerning the appraisal or report.
3. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.
4. In the case where an improvement is considered, the distribution of the total valuation between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
5. Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or any other media without our written consent. Nor shall the appraisers, firm or professional organization of which the appraisers are a member be identified without prior written consent from us.
6. In this appraisal assignment, the existence of potentially hazardous materials, such as the presence of urea formaldehyde foam insulation or asbestos, and/or existence of toxic waste, which may or may not be present on the property, has not been considered except where noted within the report. The appraisers are not qualified to detect such substances. We urge the client to retain an expert in this field if desired.
7. The subject property was appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural or communications barriers that are structural in nature that would restrict access by disabled individuals may affect the property's value, marketability, or utility.
8. We are not aware of the presence of archaeological deposits and/or artifacts within the subject or in adjacent properties. The physical inspection of the property did not reveal any evidence of such deposits and/or artifacts; however, we are not qualified to detect archeological deposits and/or artifacts and assume no responsibility in this respect. The values reported herein and the estimated construction and/or marketing time for the properties are predicated on the assumption that they are not affected by any such archeological artifacts.

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SCOPE OF WORK

Problem Identification

In order to define the problem to be solved, we identified the following assignment elements:

- client and any other intended users;
- intended use of the appraisers' opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics;
- assignment conditions

The above assignment elements have been presented in the Summary of Salient Facts and Conclusions and some of them will be discussed in greater detail in the following section.

Competency

The appraisers certify that they have the competency to carry out this assignment, gained with the experience in appraising resorts and golf courses of different categories in Puerto Rico, and having the relevant education and professional credentials.

Property Inspection

In developing the opinions of value presented in this report, we began by inspections of the overall subject site, carried out during July 2009.

We also reviewed the following documents:

- Title deeds
- Surveys
- Site plans
- Building floor plans, elevations and sections for the principal building improvements
- Aerial photos
- Historical financial and utilization statistics.
- Financial and utilization projections.

Identification of Property Characteristics

The areas of the subject parcels were extracted from the surveys referenced above. Their location and topographic features were observed during the property inspection. The inspection did not include an interior inspection of the parcels, but rather inspection from one or more of the boundaries.

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Zoning and flood zone characteristics for the parcels were identified by verifying the appropriate maps. Other relevant characteristics for the overall property were identified from visual inspection and conversations with representatives of PCCI.

Extent of Research into Physical and Economic Factors

The property's current physical and legal conditions, background, and history were researched with all due diligence expected of a professional real estate appraiser in the course of performing appraisal services. The legal interests, easements, covenants, restrictions, and other legal aspects were researched using the appropriate sources. The subject market area was examined to determine the potential demand for, and the marketability of, the subject property.

Extent of Data Research

To value the overall property, we developed the Income Capitalization Approach, the most reliable method of estimating the market value of a property like the subject's. We also developed the Sales Comparison Approach as a secondary indication of value.

To develop these approaches, we obtained and verified comparable recreational property data, as well as resort land sales. We also obtained capitalization and discount rate information from published sources.

Type and Extent of Analysis Applied to Arrive at Opinions and Conclusions

To value the subject, two of the three conventional valuation approaches were developed, namely the Income Capitalization Approach and the Sales Comparison Approach. For the Income Approach, we used Yield Capitalization with a Discounted Cash Flow Analysis. Since the subject property is a mature property, we based our projections on the historical financial and utilization information provided by PCCI. The projections were then converted into a market value opinion using market-derived discount and terminal capitalization rates. For the Sales Comparison Approach, we used the only comparable sale of a golf course in Puerto Rico, and adjusted the sale for differences with the subject in order to arrive at a market value indication.

Final Market Value Opinion – Subject Resort Property

The final step in the appraisal was to reconcile the value indications developed into a single market value opinion for the subject.

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STATEMENT OF THE PROBLEM

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STATEMENT OF THE PROBLEM

Identification of the Subject Property

Palmas del Mar Country Club (PDMCC), a recreational facility within the Palmas del Mar resort comprised of a series of parcels with a total area of 432.03302 cuerdas, improved with three distinct components, namely a golf club having two championship golf courses, a golf clubhouse and other ancillary improvements; a beach club with two swimming pools, a dining facility and other ancillary improvements, and a tennis club with 20 courts, a clubhouse and other ancillary improvements. PDMCC is an integral component of the overall Palmas del Mar Resort, and the primary driver of first and second-home sales at the same. Palmas del Mar resort is located at Road PR-908, in the Candelerio Abajo Ward of Humacao, Puerto Rico.

Definition of Market Value¹

Market value is defined as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of the sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1- Buyer and seller are typically motivated;
- 2- Both parties are well informed or well advised and acting in what they consider their own best interests;
- 3- A reasonable time is allowed for exposure in the open market;
- 4- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Value Terms

Value in this report is in terms of cash, U.S. dollars (\$).

Fee Simple Estate²

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

¹ Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].
² The Dictionary of Real Estate Appraisal, 4th Edition. Published by the Appraisal Institute on 2002.

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Purpose of the Appraisal

The purpose of this appraisal was to develop a going concern and a real estate market value opinion for the subject property in its current condition, subject to the Extraordinary Assumptions identified on Page 3. The reader should be aware that changes in these assumptions could impact the reported value opinions. Property rights appraised are those of the fee simple interest of all components.

Property Rights

Property rights appraised are those of the fee simple interest.

Intended Use of the Report

The client requested this appraisal as part of its financial reporting requirements.

Intended Users of the Report

The intended users of the report are limited to the client (Tourism Development Fund) and its officers, and the property owner and its officers.

Effective Date of Value

The effective date of value is June 30, 2009.

Date of the Report

July 17, 2009

History of the Property

The Uniform Standards of Professional Appraisal Practice indicate that in developing a real property appraisal, an appraiser must:

- (a) Analyze all agreements of sale, options, or listings of the subject property current as of the effective date of appraisal; and
- (b) Analyze all sales of the subject property that occurred within the three years prior to the effective date of appraisal.

There is no sale of the within the specified time frame. To our knowledge, the property is currently not for sale.

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PRESENTATION OF THE DATA

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ECONOMIC ANALYSIS SUMMARY - THE ISLAND OF PUERTO RICO

The following is a copy of an article by The Economist, appearing on January 27, 2009 at www.economist.com, and prepared by the Economist Intelligence Unit ViewsWire

Puerto Rico's economy has shrunk for three years running

Puerto Rico's new governor, Luis Fortuño, has been quick to acknowledge the scale of economic problems facing the US commonwealth. The island economy has already been mired in recession for nearly three years, and the government again faces the prospects of running out of cash. Yet with the US mainland now in recession as well, the prospects for a turnaround in Puerto Rico any time soon are bleak.

Soon after the November 4th election and two months before his inauguration on January 2nd, Mr Fortuño appointed a 14-member committee of private-sector leaders, headed by banker, Richard Carrion, to offer ideas on how to address the government's looming fiscal crisis. According to the committee, the fiscal deficit has risen to US\$3.2bn. Unless immediate corrective measures are put in place to boost revenue collection and cut spending, the administration is set to run out of funds to meet payroll costs in the coming months.

There is limited scope for raising finance because of the credit freeze in global financial markets. Although the Government Development Bank (GDB) sold US\$1.23bn in bonds in mid-December, the bond issue was placed with local investors due to the unfavourable conditions in the US municipal bond market. There is likely to be insufficient local demand for another large bond issue in the near term.

Emergency plan proposed

The committee submitted a 69-page report on January 8th detailing more than 30 proposed measures to increase revenue, cut spending and raise temporary financing. The measures represent a strong fiscal austerity package that was promptly attacked by labour unions and the opposition. The recommendations include a 5% surtax on corporations and high-income earners; tax increases for gasoline, alcohol and tobacco; and a two-year moratorium on salary increases already negotiated with unionised government employees. In addition, the group also recommended the firing of up to 11,000 government workers hired since July 1st 2008.

The panel decided against recommending an increase in the sales tax or imposing any type of temporary tax on corporations benefiting from tax exemption under the industrial incentives law. It is unclear which of the proposed measures will be sent to the legislature, but many of them are likely to be submitted, given Mr Fortuño's clear congressional majority and the dire state of the economy. The necessary austerity measures will not be popular among the public, and this is likely to cut short Mr Fortuño's honeymoon period.

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Hoping for life support

The committee was also charged with several other tasks, to be carried out in succession. First, the group will devise an economic stimulus plan by the end of the first quarter. Second, they will make recommendations on structural measures to strengthen the economy and support sustained growth.

This second package is expected to include measures to increase labour-market flexibility, reduce energy costs, simplify government red tape, and, most importantly, outline a blueprint for a full tax reform. Tax reform is needed to eliminate loopholes and reduce rampant levels of evasion, as well as to reduce the reliance on income tax.

The government's need for fiscal austerity in the short term corresponds to the need to narrow the deficit and meet immediate basic spending commitments. Although this contrasts with many other governments' responses to the global economic slowdown—which have involved increasing public expenditure and investment in an attempt to boost domestic demand—the Fortuño administration is hoping to shift to a more expansive fiscal policy later in 2009.

The government hopes to benefit from the stimulus measures adopted by the new US administration of Barack Obama. Mr Fortuño's economic team has estimated that Puerto Rico's share of emergency federal funding could amount to US\$5bn, enough to finance several large infrastructure projects. Puerto Rico's resident commissioner in Washington, Pedro Pierlusi, is already meeting key figures in the federal government to communicate the urgent need of fiscal relief on the island.

Mired in recession

Puerto Rico's domestic economy remains extremely weak; according to the latest data (which only run until July 2008), the current recession had already lasted 32 months. Given the sharp decline in the global economy, particularly in the US, the recession is likely to have deepened in Puerto Rico since then. Recent data provide little sign for optimism. In 2008 sales of new motor vehicles fell below the 100,000 mark for the first time in seven years, the Christmas shopping season showed only a modest gain in nominal terms compared with the 2007 season, and personal bankruptcy filings continued to increase.

In addition, the US recession is already hurting the tourism sector; hoteliers project that this year's high season, which runs until early March, will end up being weaker than last year's. Employment data have also continued to deteriorate. The Department of Labour reported a decline of 15,000 in the number of persons employed in November 2008 compared with November 2007, raising the unemployment rate to 12.7% from 11.2%.

As elsewhere, the global financial problems have also affected Puerto Rico's stock market. Bank stocks lost US\$2.2bn in market value in 2008, declining from US\$5.3bn in value in 2007 to US\$3.1bn in 2008. The cumulative decline in stock market value for the eight local banks traded on the New York Stock Exchange has been US\$17.9bn since 2004. Local investors have shouldered around half of these losses.

Thus, although there has been little new production data released in recent months, it appears that Puerto Rico's domestic recession has deepened. Following an estimated GNP contraction of 2% in the 2007/08 fiscal year, the Economist Intelligence Unit estimates the economy will contract by another 3% in 2008/09.

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We currently assume that the recession will tail off in 2010, with zero percent growth, on the assumption that the US economy begins to pick up and that cuts in interest rates help to stimulate consumer spending. However, even this forecast for a flat performance is subject to substantial downside risks.

Appraisers' Conclusions and Recent Events

The previous article summarizes the current economic climate in Puerto Rico. Recently, the Puerto Rico Planning Board forecasted a 3.4% reduction in the Island's economy for FY 2009 ending this coming June 30, 2009. They have also forecasted negative growth of 2.0% for FY 2010, with the economy expected to begin recuperation by FY 2011. This would mean four consecutive years in a recession, breaking the record of the previous two-year recession period registered at the beginning of the 1980's. The economic situation has affected most real estate markets, particularly the residential real estate market where sales concessions and slow absorption rates are the norm, and in some cases prices have been reduced. Further, as small and medium-size businesses continue to close given poor economic conditions, a disconnect is being created between supply and demand for the real estate these businesses occupy. Some sectors show increased vacancy. A trend in values; however, cannot be generalized since each sector is subject to its own supply and demand forces.

The US Government passed a stimulus bill in early 2009, with Puerto Rico's share of the funds at over \$5.0 billion dollars. This is expected to have a positive impact in the economy, but the timing and size of the impact is still a matter of debate and will have to be monitored closely to see if it has a positive impact in real estate.

During the first six months of 2009 the Puerto Rico Government has approved a series of laws to deal with the financial crisis, including Law 7 declaring a state of fiscal emergency, and mandating spending cuts, public payroll reduction and increased taxes. Another law created a \$500 Million local incentive plan, one deals with the distribution plan for the funds to be received from the Federal Government and the most recent one deals with public-private-partnerships. Again, the impact of these efforts has to be monitored for any potential impact in the real estate markets.

Key Valuation Issue

As of the date of this report, the National as well as the World economies have gone through a severe turmoil that began in late 2008 which has, among others, affected the real estate market, bringing it to unprecedented reduced absorption levels and in some cases to a virtual halt. The appraisers have made every effort to adjust historical market data to current market conditions; however, current volatile activity and in some cases lack of transparency in sales concessions impacting sales prevents more precise trend projections. The appraisers assume no responsibility for any impacts that future market fluctuations may have on the values reported herein, and all condition affecting valuations are limited to those prevailing at the specified date of this appraisal. Under prevailing market conditions, the appraisers recommend that appraisals be monitored in short-term periods for any market activity that may have an impact on the value reported.

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PALMAS DE MAR RESORT

Access Characteristics

Palmas del Mar is a resort-oriented residential development located about three and a half miles south of the urban core of Humacao, and about 34 miles southeast of the San Juan Metropolitan Area. Off-peak driving time to Palmas del Mar is about 30 to 45 minutes to the southern and northern parts of the San Juan Metropolitan Area respectively, by way of Road PR-52 in combination with Road PR-30, Road PR-53 and Road PR-906.

Road PR-30 is one of the principal roads connecting the San Juan Metropolitan Area and the eastern region of Puerto Rico. This expressway begins in Caguas and ends in Humacao. It is mostly a four-lane divided highway running in a northwest to southeast direction, and it intersects other principal roads along its way, which in turn provide access to other municipalities located between the two municipalities. The Gurabo-Caguas stretch of the expressway was recently expanded, but traffic is still very heavy at peak hours.

Road PR-30 connects with Road PR-53 about 2.5 miles north from Palmas del Mar. Road PR-53 is a principal highway that is proposed to connect the northeastern portion of the Island with its southern region. It starts at its intersection with Road PR-3 at Fajardo and will connect many towns of the eastern and southeastern area of the Island, including Humacao and Naguabo, with towns in the southern region. Road PR-53 will end in Salinas, at its intersection with Road PR-52, a toll type expressway which connects the San Juan Metropolitan Area with Ponce, the most important urban center in the southern region of Puerto Rico.

The stretches of Road PR-53 that connect the towns of Fajardo and Ceiba, Ceiba and Humacao, Humacao and Yabucoa, and Salinas and Guayama are now operating. Other stretches (specifically between Yabucoa and Guayama) are currently under construction. Road PR-53 connects with Road PR-906 about one mile northwest from Palmas del Mar. Road PR-906 was for many years a two-lane two-way local road that provided access to Palmas del Mar. However, this road was expanded into a four-lane, two-way thoroughfare up to the entrance of Palmas del Mar.

Development History

The development of Palmas del Mar began with Charles Fraser, who initiated the resort-residential complex idea in the United States with the Sea Pines Plantation Company Resort at Hilton Head, South Carolina. It was conceived in the late 1960's with some 6,200 dwelling units and resort facilities on a tract of land having an area of about $\pm 2,700$ cuerdas of which about 360 cuerdas located at the extreme northern portion of the property were not included in the overall master plan.

In 1972, when the sales program was started at Palmas, sales reservations exceeded their expectations. This was at the time when real estate sales were booming not only in Puerto Rico but also in the United States. But by 1973, the picture had radically changed.

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The energy crisis, and subsequent declining economic conditions, resulted in cost overruns and construction delays that caused Palmas del Mar to have serious difficulties. These difficulties required that the very ambitious plans conceived for Palmas del Mar be temporarily halted. In 1973, the master plan conceived numerous villages, condominiums, and a number of recreational resort facilities, many of which have been completed to date. Development plans were altered significantly during 1974. An increase in density was approved by the Planning Board, which allowed for approximately 10,000 units.

Maxxam, PDM owners since 1985, has been developing or selling land for development in what have been successful projects. During 1986-87 Palmas Del Mar enjoyed considerable activity in the residential sales sector, with almost no new units available, and became one of the most attractive development projects in Puerto Rico. Palmas' desirability attracted both local and off Island developers and the second growth stage of Palmas began.

Private developers were very active in Palmas in the late 1980's and early 1990's. However, the last ten years mark the most active development period in Palmas' history. The following projects have been built or have been proposed at Palmas del Mar since 1995:

RESIDENTIAL PROJECTS IN PALMAS DEL MAR SINCE 1995 – as of June 2009					
Project	Units	Type	Approximate Price Range		Status
			Low	High	
Sunrise I & II	114	SF-Det	\$500,000	\$900,000	Sold
Palmas Doradas Condo-Hotel	70	MF	\$300,000	\$600,000	Sold
Fairlakes III	56	MF	\$300,000	\$500,000	Sold
Las Villas en Palmas I & II	90	SF-Att	\$300,000	\$500,000	Sold
Casillas de Palmas	30	MF	\$400,000	\$600,000	Sold
Palmas Plantation	178	SF-Det	\$400,000	\$800,000	Sold
Maralago	72	MF	\$500,000	\$700,000	Sold
Harbour Point	60	MF	\$400,000	\$500,000	Sold
Costa Verde	42	SF-Det	\$800,000	\$1,000,000	Sold
Flamboyen Greens	34	SF-Det	\$665,000	\$800,000	Sold
Plaza del Puerto	7	SF-Att	\$875,000	\$1,150,000	Sold
Aquabella	130	SF-Att	\$435,000	\$700,000	Delivering
Marbella Club	148	MF	\$500,000	\$1,100,000	Delivering
Harbour Lakes	225	MF	\$300,000	\$425,000	Delivering
The Woods	36	MF	\$400,000	\$550,000	Delivering
Palmanova Village	124	MF	\$400,000	\$700,000	Delivering
The Views	58	SF-Det	\$575,000	\$685,000	Delivering
Plaza del Mar	24	MF	\$1,400,000	\$1,700,000	Delivering
Los Lagos	112	SF-Det	\$800,000	\$1,500,000	Under Construction
Solarea	74	MF	\$700,000	\$1,500,000	Delivering

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Palmas del Mar officials report that the resort already has its infrastructure in place to make any hotel or residential expansion feasible at acceptable costs. The resort has also spent several million dollars on upgrading the existing golf and tennis facilities and building a beach club. Reportedly, of the approximately 2,700 cuerdas that comprise the Palmas del Mar Complex, about 900 acres remain yet to be developed.

Resort Amenities

Palmas del Mar Resort amenities include:

- 3.5 miles of beach in the resort core, and 6.0 miles total in the resort.
- Two championship golf courses, the Rees Jones Flamboyán Course and the Gary Player Palm Course.
- An equestrian center.
- The largest tennis facility in the Caribbean, with 20 tennis courts including clay and hard court surfaces, many courts are lighted for night play.
- A marina with a Yacht Club and additional wet slips recently completed.
- Proximity to Vieques Island, an amenity for boat owners.
- A series of restaurants, retail stores, and service offices.
- Primary and secondary school (Palmas Academy).

Conclusion

Palmas del Mar is a mature residential-resort community with excellent recreational facilities, 3.5 miles of beach and a variety of residential projects and units for all tastes and prices beginning at approximately \$300,000. The community offers the tranquility and security desired today by many Island and stateside residents.

Palmas del Mar, like all neighborhoods, has gone through times of great market acceptance and absorption, and times of reduced activity. The two most recent development booms were the late eighties, and then most recently the past ten years, peaking in 2004. The past five years, however, show a steady decline in sales of new-construction product, with a notable deterioration during 2008 and 2009.

Resort Market Conditions

Resort market conditions, in terms of second-home residential sales, are currently soft due to the recession affecting the Island since FY 2007. Absorption rates show a decreasing trend, and during 2009 the market has been almost stagnant. However, as the economy recuperates in the next two to three years, the market should begin to improve.

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Current inventories indicate that there are at least 5 years of absorption, longer if current absorption levels do not improve to near historical level within the next year or two. A more detailed analysis of the residential resort market appears in the addenda for reference.

Golf Market Conditions

The golf market in Puerto Rico has also been affected with the economic recession, which has dampened player growth at a time where several new courses were built. This has resulted in fewer rounds at most courses. Like the resort market, the golf market is expected to improve once the economy begins to improve.

The following table lists the existing and under-construction courses in Puerto Rico. There are other courses proposed, but given prevailing economic conditions it is uncertain when and if they will get built.

PUERTO RICO GOLF COURSE SUPPLY

Facility	Location	Courses	Holes	Type
Existing				
Punta Borinquen	Aguadilla	1	18	Public
Bayamón Municipal Course	Bayamón	1	18	Public
Club Deportivo del Oeste	Cabo Rojo	1	18	Semi-Private
Caguas Real Home Resort	Caguas	1	18	Semi-Private
Coamo Springs	Coamo	1	18	Public
Dorado Beach	Dorado	2	36	Semi-Private
Plantation	Dorado	2	36	Semi-Private
Dorado del Mar	Dorado	1	18	Semi-Private
El Conquistador	Fajardo	1	18	Private-Hotel
Aguirre Country Club	Guayama	1	9	Public
El Legado Golf Resort	Guayama	1	18	Semi-Private
Ft. Buchanan	Guaynabo	1	9	Private-Military
Ciudad Jardín de Gurabo	Gurabo	1	18	Semi-Private
Palmas del Mar	Humacao	2	18	Semi-Private
Ponce Hilton	Ponce	1	27	Semi-Private
Wyndham Río Mar	Río Grande	2	36	Semi-Private
Bahía Beach St. Regis	Río Grande	1	18	Semi-Private
Berwind Country Club	Río Grande	1	18	Semi-Private
Trump International (Coco Beach)	Río Grande	2	18	Semi-Private
Sub-Total		<u>24</u>		
Under Construction				
Isabela Sporting Club	Isabela	<u>1</u>	18	Private
Sub-Total		<u>1</u>		

Of the preceding courses, the strongest competition in terms of capturing members are Río Mar, Dorado Beach, Plantation, Bahía Beach and Trump International.

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SITE ANALYSIS

Location and Access

Palmas del Mar Country Club is located within the Palmas del Mar Resort, on Road PR-908, Candellero Abajo Ward, Humacao. Access to Palmas del Mar from the approximate mid-point of Sa Juan is approximately 45 minutes by way of the Luis A. Ferré Expressway (Road PR-52) south to the Humacao Expressway (Road PR-30), and then east to Humacao.

Legal Descriptions

The legal descriptions of the different parcels comprising the overall property are lengthy and thus not presented here but rather maintained in our work file. The descriptions appear at Deed 29 and Deed 40 of October 26, 2009 before Alfredo Alvarez Ibañez.

Survey

The surveys of the different parcels that comprise the subject property indicate the following areas:

PALMAS DEL MAR COUNTRY CLUB AREAS

Parcel	Square Meters	Cuerdas	Parcel	Square Meters	Cuerdas
A	63,887.6142	16.2548	GG	38,963.6326	9.9134
B	25,177.8394	6.4059	HH	70,591.8847	17.9605
C	24,230.6245	6.1649	II	51,677.1104	13.1481
D	48,899.3231	12.4413	JJ	43,389.4551	11.0395
E	40,601.9674	10.3302	KK-1	83,703.2971	21.2964
F	137,119.2581	34.8869	KK-2	37,631.5970	9.5745
G-1	77,023.2007	19.5968	LL	23,548.5758	5.9914
G-2	77,037.8437	19.6005	NN	29,649.6133	7.5437
H	26,620.7677	6.7731	OO	107,578.3340	27.3709
AA	90,541.1188	23.0361	WW	89,781.6167	22.8429
BB-1	71,337.9387	18.1503	803	87.6666	0.0223
BB-2	23,509.9561	5.9816	804	398.9541	0.1015
CC	62,228.3694	15.8326	Beach Club	16,008.9346	4.0731
DD	80,803.9196	20.5587	Tennis Center	54,147.2256	13.7765
EE	13,623.1801	3.4661	Lake	86,100.7529	21.9064
FF	103,327.4150	26.2893	Total	1,699,228.9870	432.3302

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Area and Configuration

The areas indicated by the surveys are assumed to be the correct areas of the subject parcels. The configuration is irregular but functional.

Topography, Sub-Soil

The subject property has varying topography, with undulating topography along the courses and mostly level topography the golf, beach and tennis club area. We have not reviewed any subsoil study for the subject. The soil is assumed to be firm and adaptable for normal usage without abnormal expenditures, other than those typical of beachfront or near beach areas.

Infrastructure

According to Palmas del Mar officials, the water, sewers, electrical, and telecommunication utilities infrastructure in the resort is adequate for the existing uses at the subject property.

Zoning

Zoning within Palmas del Mar is governed by the property's master plan. The master plan indicates that the subject property is to be used for recreational purposes.

Environmental Impact

No environmental impact studies have been made in conjunction with this appraisal. The value estimates contained herein could be affected by subsequent environmental impact studies, research, investigations, and resulting government actions.

Hazardous Materials

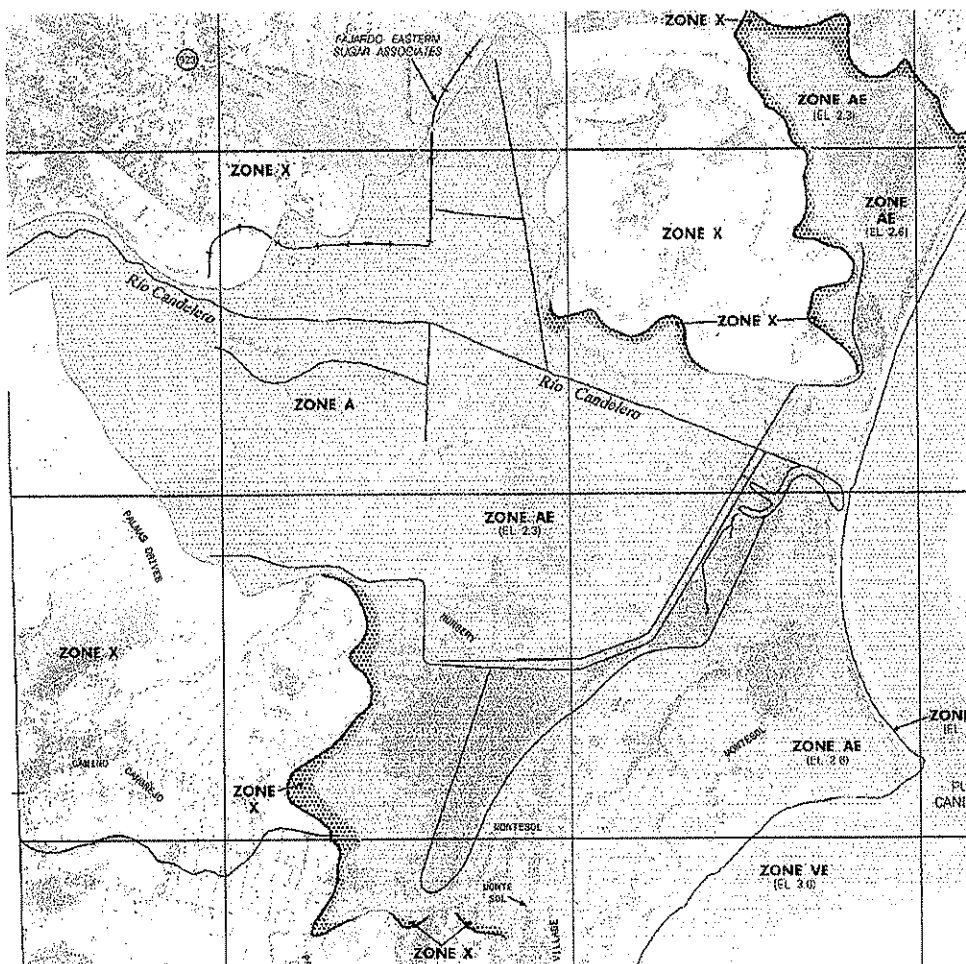
The presence of certain materials, such as asbestos, urea formaldehyde, radon gas, toxic waste and others can have a significant negative impact upon the value of unimproved and improved properties. The appraisers are not qualified to detect such substances, or to certify if a site is contaminated. For purposes of this appraisal, it is assumed that there are no potential pollutants in or on the property subject of this report.

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Flood Zone Classification

The following table summarizes the definition of the flood-zone classifications affecting the subject property:

Zone	Description
Zone A	Subject to 1% annual chance flood - no base flood elevations determined
Zone AE	Subject to 1% annual chance flood - base flood elevations determined
Zone VE	Subject to 1% Annual Chance Flood - coastal flood zone with velocity hazard (wave action); base flood elevations determined.
Zone X (clear)	Areas determined to be outside the 0.2% annual chance floodplain.



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According to FEMA panel 1810, effective since April 19, 2005, most of the subject falls within a Zone A. The areas under Zone AE have base flood elevations ranging from 2.3 to 2.6 above msl. The shore area falls under Zone VE, with a base flood elevation of 3.0 meters above msl. There are also some pockets under Zone X (clear).

Easements, Encroachments and Expropriations

No evident signs of encroachments on the subject site were observed during our inspection. The only easements affecting the property are those typical for utilities and rights of way typical of a resort complex.

Proximity to Nuisances, Hazards or Detrimental Conditions

In order to determine the proximity to nuisances, hazards or detrimental influences, the appraisers inspected the subject's immediate vicinity. No detrimental influences were perceived during this inspection, and it is assumed that none exist.

Tax Data and Assessed Valuation

Property taxes are collected by the Municipal Revenue Collection Center (CRIM for its Spanish acronym). Humacao, where the subject project is located, has a tax rate of 8.83% as of July 1st, 2009. The current rate is expected to remain stable for the next few years since this is the norm. The law in Puerto Rico provides for a 10% discount on the property taxes which are calculated in two yearly payments if these are paid within 30 days following the mailing of the property tax bill. In addition, the law provides for an exemption of up to \$15,000 of assessed value for primary residents that apply for it. The following table summarizes the property tax data for the subject, as provided by PCCI and assumed correct.

Property	Tax ID Number	Assessment	Exemption	Net	Tax Rate	Annual Taxes
Golf Club & Tennis Club	330-000-006-43-000	\$3,025,791	90%	\$302,579	8.83%	\$26,718
Beach Club	330-000-007-22-000	\$1,890,310	90%	\$189,031	8.83%	\$16,691

We assume that property taxes for the subject are current. No responsibility is assumed for the existence of unpaid property taxes.

Conclusion

The subject property is located in Humacao, about 27 miles southeast of San Juan. It comprises the recreational component of Palmas del Mar Resort. It is considered competitive with other recreational properties within competitive resorts.

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IMPROVEMENTS ANALYSIS

The areas and descriptions of the site improvements, the individual units, and the public areas and other facilities, are based on the plans and representations provided by the developers. The areas are summarized below:

Parcel	Square Meters	Cuerdas	Improvements	Cost	Date
A	63,887.6142	16.2548	N/A	N/A	N/A
B	25,177.8394	6.4059	N/A	N/A	N/A
C	24,230.6245	6.1649	N/A	N/A	N/A
D	48,899.3231	12.4413	N/A	N/A	N/A
E	40,601.9674	10.3302	N/A	N/A	N/A
F	137,119.2581	34.8869	N/A	N/A	N/A
G-1	77,023.2007	19.5968	N/A	N/A	N/A
G-2	77,037.8437	19.6005	N/A	N/A	N/A
H	26,620.7677	6.7731	N/A	N/A	N/A
AA	90,541.1188	23.0361	N/A	N/A	N/A
BB-1	71,337.9387	18.1503	N/A	N/A	N/A
BB-2	23,509.9561	5.9816	N/A	N/A	N/A
CC	62,228.3694	15.8326	N/A	N/A	N/A
DD	80,803.9196	20.5587	N/A	N/A	N/A
EE	13,623.1801	3.4661	N/A	N/A	N/A
FF	103,327.4150	26.2893	N/A	N/A	N/A
GG (Golf Club)	38,963.6326	9.9134	20,998 sf clubhouse / 20,184 sf cart barn / 15,974 sm surface parking.	\$8,200,000	
HH	70,591.8847	17.9605	N/A	N/A	N/A
II	51,677.1104	13.1481	N/A	N/A	N/A
JJ	43,389.4551	11.0395	N/A	N/A	N/A
KK-1	83,703.2971	21.2964	N/A	N/A	N/A
KK-2	37,631.5970	9.5745	N/A	N/A	N/A
LL	23,548.5758	5.9914	N/A	N/A	N/A
NN	29,649.6133	7.5437	N/A	N/A	N/A
OO	107,578.3340	27.3709	N/A	N/A	N/A
WW	89,781.6167	22.8429	N/A	N/A	N/A
803	87.6666	0.0223	N/A	N/A	N/A
804	398.9541	0.1015	N/A	N/A	N/A
Beach Club	16,008.9346	4.0731	6,900 sf main building / 28,500 sf pool deck with gazebo / 800 sf beach bar and gazebo / 9,450 sf main pool and whirlpool / 7,250 sm surface parking.	\$5,780,000	
Tennis Center	54,147.2256	13.7765	2,450 sf pro-shop and restrooms / 5,172 sm stadium court / 52, 198 sm 19 other courts / 9,1650 sm surface parking.	\$665,000	1984
Lake	86,100.7529	21.9064	N/A	N/A	N/A
Total	1,699,228.9870	432.3302	N/A	\$14,645,000	N/A

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Principal Building Improvements

Golf Clubhouse

The Golf Clubhouse consists of two structures joined by a covered walkway. The main structure is the Clubhouse per se, and the other structure is the cart barn.

The clubhouse structure includes the following areas:

- Administrative offices
- Members' lounge
- Men's lounge
- Men's lockers
- Women's lounge
- Women's lockers
- Dining room
- Mixed grill
- Kitchen
- Snack bar
- Other miscellaneous areas

The structure is a combination of structural steel, reinforced concrete and concrete blocks, with a metal roof cover. The architectural style is plantation. Interior finishes include a mixture of hard tiles and carpeting, acoustic and gypsum board ceilings, incandescent and fluorescent lighting, and central air conditioning. There are aluminum and glass doors and windows and wood interior doors.

The cart barn structure includes the following areas:

- Golf shop
- Offices
- Men and women restrooms for employees
- Golf bag storage
- Cart storage (187 total)
- Employee break room
- Cart wash
- Range ball wash area
- Other miscellaneous areas.

The structure is a combination of structural steel, reinforced concrete and concrete blocks, with a metal roof cover. The architectural style is plantation. Interior finishes in the golf shop include carpeting, acoustic ceilings, fluorescent lighting, and central air conditioning. There are aluminum and glass doors and windows and wood interior doors. The cart barn per se has low-cost interior finishes.

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Beach Club

The beach club consists of a principal structure and a series of ancillary ones. The principal structure includes the following areas:

- Kitchen
- Enclosed dining area
- Covered dining terrace
- Reception area
- Men and women restrooms/lockers/showers

The ancillary improvements include the structure housing the pool equipment, which adjoins a set of employee restrooms, a beach bar, a band platform, and a pool pavilion. The structure is a combination of structural steel, reinforced concrete and concrete blocks, and wood roof with clay roof tiles. The architectural style is Caribbean tropical. Interior finishes include hard tiles, open wood ceiling, and wood doors and windows.

Tennis Center

The tennis center consists of three main structures, a pro-shop, a bath and lockers structure and a gazebo-type bar. The structures are a combination of, reinforced concrete and concrete blocks, and concrete or wood roofs with clay roof tiles. The architectural style is Caribbean tropical. Interior finishes include a combination of tiles and carpet, open wood ceiling, plastered cement ceilings, and wood doors and windows.

Golf Course Improvements

While ancillary facilities such as a clubhouse or restaurant can enhance the marketability of a golf course, the most important features are the golf course and, in some instances, its practice facilities. Therefore, the following discussion will outline the layout, design, and maintenance characteristics of the course and practice facilities at the subject project.

Course Designers

The Palm course was designed by Rees Jones. The Flamboyán course was designed by Gary Player.

Club Management

The club is managed by PCCI

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Yardage

The following tables show the course yardage for each of the two courses.

FLAMBOYAN																					
Hole	1	2	3	4	5	6	7	8	9	Out	10	11	12	13	14	15	16	17	18	In	Total
Championship	387	381	538	210	432	397	579	190	455	3,569	500	387	174	343	428	219	609	430	458	3,548	7,117
Tournament	365	358	525	195	420	375	554	174	424	3,390	485	379	157	333	423	208	589	403	403	3,380	6,770
Members	344	331	506	177	402	359	520	154	394	3,187	473	370	149	315	414	193	566	379	369	3,228	6,415
Resort	328	311	485	165	384	335	472	146	360	2,986	445	367	124	302	357	189	543	359	327	3,013	5,999
Forward	300	294	454	136	351	300	465	118	325	2,743	402	309	123	275	317	123	495	341	306	2,691	5,434
Par	4	4	5	3	4	4	5	3	4	36	5	4	3	4	4	3	5	4	4	36	72

PALM																					
Hole	1	2	3	4	5	6	7	8	9	Out	10	11	12	13	14	15	16	17	18	In	Total
Tournament	549	366	150	140	370	565	377	190	495	3,202	197	416	435	225	418	439	378	455	510	3,473	6,675
Members	527	332	135	130	341	510	342	155	480	2,952	162	380	400	174	386	411	344	430	487	3,174	6,126
Forward	447	269	110	105	292	455	260	115	434	2,487	111	360	374	105	350	389	295	320	424	2,728	5,215
Par	5	4	3	3	4	5	4	3	5	36	3	4	4	3	4	4	4	4	5	35	71

Topography and Drainage

The courses' sites are best described as having undulating topography, with storm water directed to the lakes.

Routing

A golf course should be routed in a manner that makes greatest use of the site's natural assets. However, the best routing plan for a property is subjective since no two experts agree as to the composition of an ideal course. Thus, alternatives can vary depending on the size, shape and topography of the site, and the motivations of the developer or course architect. The subject courses follow the typical design in resort properties where the primary intent is to allow for residential development areas to have golf course views.

Turf grass

The Palm Course has Bermuda Tifway 419 in the fairways, Bermuda Tifway 419 in the rough areas, and Bermuda Tifdwarf grass in the greens. The Flamboyán course has Bermuda Tifway 419 in the fairways, Bermuda Tifway 419 in the rough areas, and Bermuda Tifdwarf grass in the greens.

Irrigation System

The subject's irrigation system consists of two Flowtronex irrigation pumps, three vertical motors (60hp) each one. The system is computer controlled, TORO brand. There are approximately 1,100 irrigation heads at the Flamboyán course, and approximately 500 heads on the Palm course.

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Trees

The subject courses were originally built in 1972 (Palm) and (1998) Flamboyán, so its boundaries are mature and have a number of trees and other vegetation typical of a dry climate such as the one in Humacao.

Greens, Bunkers

Greens and bunkers meet U.S.G.A. specifications. The greens are of sufficient size to allow adequate movement of the pin placement.

Driving Range and Practice Green Description

The subject's practice range is located across from the cart barn. It measures approximately 350 yards in length, with a grass only tee hitting surface with a capacity for 50 people at the same time. The range has 6 flagged greens. There are two practice greens, one is approximately 8,000 square feet the other is approximately 6,500 square feet. There is one practice bunker on one of the practice greens.

Other Improvements

Additional golf course improvements include reinforced concrete cart paths, in addition to rest stations/rain shelters and a starters shack.

Golf Course Equipment

Maintenance equipment of Toro brand, 4 electric and 12 gas golf carts of EZ-GO brand.

Golf Cart Fleet

The golf cart fleet has 150 golf carts and was purchased in 2006 under an operating lease. The brand of cart is EZ-GO.

Conclusion of Improvements Analysis

After an inspection of the layout and design of the improvements at the subject property, we conclude that they are functional, and in terms of quality they are consistent with those at other resort clubs.

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ANALYSIS OF THE DATA

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HIGHEST AND BEST USE ANALYSIS

Highest and Best Use is defined by the "Dictionary of Real Estate Appraisal", 4th Edition, published by The Appraisal Institute as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."

Highest and Best use of land or a site assumed vacant is defined by the "Dictionary of Real Estate Appraisal", 4th Edition, published by The Appraisal Institute as:

"Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements."

Highest and Best Use of Site as though Vacant

Legally Permissible

For purposes of this appraisal, we assume that legally permissible uses are those of the approved master plan, which are basically the existing uses.

Physically Possible

The previously described legally permissible use is physically possible, given the site's undulating topography and available infrastructure.

Financially Feasible

The golf course market has declined in recent years as more courses have been built, since the demand has not grown as fast as supply. Further, Palmas del Mar still lacks a five-star hotel property, the type of property that typically generates a greater number of golf course rounds. For this reason, we conclude that under current market conditions it would not be financially feasible to have built the subject golf courses.

Maximally Productive - Conclusion of Highest and Best Use

The subject site's use is recreational as per the resort's master plan. Since the site is part of a larger property, it cannot be seen as an isolated property. If it were to be developed into housing, for example, then there would be no golf courses and thus the overall resort would not be as appealing to the market. Considering this, we conclude that the highest and best use of the site as though vacant would be to hold undeveloped until market conditions would allow for the construction of a recreational property with similar components to the existing ones.

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Highest and Best Use of Property as Improved

The current use at the property is both legally permissible and financially feasible. It has been carrying an operational deficit since at least 2002, the earliest date for which financial information was provided. The reason for this; however, is that there is not sufficient demand for two golf courses without an increase in the number of hotel rooms at the resort. Recognizing this, management has implemented cost cutting programs, including closing some of the facilities certain weeks among others.

There are currently two hotels seeking financing in order to start construction. These are the Regent at Punta Candeleró and the Mandarin Oriental at Punta Guayanés, both five-star brands. Our projections show that with the addition of these hotels there would be an operational surplus. A scenario analysis carried out indicates that building one of the two proposed hotels would still result in a positive net present value of all cash flows. However, if none of the hotels are built, the net present value would be negative. This means that for the continued operation of the club to be financially feasible, at least one of the two and ideally the two hotels would have to be built. If they are not built, then the highest and best use of the property would be to further reduce costs, possibly by closing for play one of the courses while providing the minimum required level of maintenance until at least one of the hotels is built.

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INTRODUCTION TO THE APPRAISAL PROCESS

There are three basic valuation approaches, which appraisers may use in the development of a market value opinion. They are the Cost Approach, the Sales Comparison Approach and the Income Capitalization Approach.

As indicated in the Scope of Work Section, we will value the overall subject property using the Income Capitalization Approach and the Sales Comparison Approach. Each approach is introduced in the relevant section to follow. The Cost Approach was not developed because the property suffers from extensive economic depreciation, which is difficult to measure, and because there are no recent sales of recreational land (primarily golf course).

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THE INCOME CAPITALIZATION APPROACH

In income producing properties, the typical investor is most concerned with the income producing capabilities of the property. Other factors and amenities are of secondary concern. Therefore, in the Income Approach, the indication of value obtained for a property is based on the future income it is expected to earn. The right to be able to receive a certain amount of money in the years to come has certain value. Therefore, it can be said that in the Income Approach, the market value of an income producing property is equal to the present worth of all future benefits produced by the real estate.

There are two income capitalization methods that can be used to estimate market value.

Direct Capitalization³

The first method is direct capitalization, which is defined as follows:

1. A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor.
2. A capitalization technique that employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

Yield Capitalization⁴

The second method, discounted cash flow analysis, is defined as follows:

The capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate.

Capitalization Method

In this assignment we will use Yield Capitalization with a Discounted Cash Flow (DCF) analysis. We will use a 10-year holding period, with one additional year used to estimate the property reversion at the end of the holding period.

³ Dictionary of Real Estate Appraisal, 4th Edition, Appraisal Institute, 2002

⁴ Dictionary of Real Estate Appraisal, 4th Edition, Appraisal Institute, 2002

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Palmas del Mar Country Club (PDMCC) is a unique facility combining a golf club, a beach club and a tennis club. There is no comparable operational data from a similar-type operation. However, we have the historical financial and utilization statistics for the facility, which constitute the best evidence for future projections.

The following groups of tables contain:

- Group 1:** Assumption parameters in our projection, the rationale for the concluded parameters, and the historical data analyzed.
- Group 2:** Schedules of Revenues and Expenses
- Group 3:** Summary Projection

The projections that follow begin in FY 2010 as Year 1.

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Line Item	Forecast Value 2010	Rationale	2003	2004	2005	2006	2007	2008	Budget 2009
1st Year of Analysis (Fiscal Year July to June)									
New Home Sales Per Year	60	Historical (2000 - 2008) average of 124 sales per year. Projection begins at 80 in 2010, similar to 2008 figures, and increases up to 140 on Year 6. This results in an average of 119 units per year during the projection.	104	141	133	111	102	60	80
New Home Sales Per Year Attributed to Start of Hotel	25	It is expected that the construction of one or two hotels will have a positive impact on home sales, which should result in a greater number than the historical rate.							
New Attached Members as % of New Home Sales	45.0%	Average 2003-2008 has been 46.0%	25.0%	54.6%	51.1%	53.2%	47.1%	45.0%	56.3%
New Members from 3rd Party and Non-Attached New Home Sales and Outside Sales Efforts	50	Management projection. Much lower than historical and thus considered reasonable.	44	109	176	146	143	120	57
Resigning Members - as % of New Members	100%	Average 2003-2008 has been 108.7% due to greater attrition since 2007 has the economy entered into a recession. Average from 2004 to 2008 was 70%. Attrition expected to fall below 100% once the economy improves. Projection begins at 100% Year 1 and stabilizes at 90% Year 3.	151.4%	74.7%	56.6%	81.5%	126.7%	161.2%	99.0%
Capacity for Full Golf Members	900	Contractual							
% of New Members that are attributed to Full Golf Memberships	45%	Average for 2003-2008 has been 45%	51.4%	46.8%	40.2%	45.4%	38.1%	47.6%	28.4%
% of New Members that are attributed to Beach Club Memberships	55%	Average for 2003-2008 has been 55%	48.6%	53.2%	59.8%	54.6%	63.9%	52.4%	71.6%
% of Resignations that are attributed to Full Golf Memberships	57%	Average for 2003-2008 has been 57%	62.3%	61.9%	55.8%	53.9%	55.0%	52.3%	54.5%
% of Resignations that are attributed to Beach Club Memberships	43%	Average for 2003-2008 has been 43%	37.7%	38.1%	44.2%	46.1%	45.0%	47.7%	45.5%
Total Full Golf Members at the Beginning of the First Year of the Analysis	446	2009 budget - based on historical data.	636	606	595	609	599	537	487
Capacity for Beach Club Members (in addition to Golf Members)	1,200	Management Projection							
Total Beach Club Members at the Beginning of the First Year of the Analysis	458	2009 budget, based on historical data	331	325	371	424	475	481	449
Total President Golf Members at the Beginning of the Year	41	2009 budget, based on historical data	0	12	19	32	30	26	41
Total President Beach Club Members at the Beginning of Year	37	2009 budget, based on historical data							
Average Annual Balance of Full Golf and Beach Club Members - as Beginning of Year Balance plus % of Net New Memberships	50%	Mid-point of year							
Number of Rounds played per Member per Year	33.0	Average 2003-2008 has been 31.4, with 2007 and 2008 between 32 and 33	34	32	31	30	32	33	37
Guest Rounds - as % of Member Rounds	40.0%	Average 2003-2008 has been 40.4%	27.5%	33.6%	39.1%	36.7%	36.6%	49.2%	42.6%

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Line Item	Forecast Value	Rationale	2003	2004	2005	2006	2007	2008	Budget 2009
Tournament Rounds Growth Rate	5,200 0%	Average 2005-2008 has been 5,211 This figure should be stabilized	1,867	2,474	4,822	5,519	5,802	4,702	4,335
Resort Rounds Growth Rate	6,300 0%	Average 2003-2008 has been 6,289 This figure should be stabilized	6,737	6,332	5,958	6,599	8,984	3,123	4,920
Full Golf Initiation Deposits - New Initiation Deposits - Corporate Full Golf Initiation Deposits - Upgrades	\$23,000 \$10,000 \$8,000	Current Rate Current Rate Current Rate							
Average Full Golf Initiation Deposit Growth Rate	\$16,000 3%	Projection General Inflation Rate							
Beach Club Initiation Deposits - New Beach Club Initiation Deposits - Corporate Beach Club Initiation Deposits - Upgrades	\$15,000 \$10,000 \$0	Current Rate Current Rate N/A							
Average Beach Club Initiation Deposit Growth Rate	\$14,500 3%	Projection General Inflation Rate							
% of Current Deposit Paid to Resignations	20%	Average 2003-2008 has been 20.7%	15.4%	25.0%	31.4%	31.8%	8.3%	12.0%	11.1%
Full Golf Annual Dues Growth Rate	\$3,650 3%	2009 budget increased at 2008-2009 increase. General Inflation Rate							
Beach Club Annual Dues Growth Rate	\$2,948 3%	2008 budget increased at 2008-2009 increase. General Inflation Rate							
Green Fees - Member Rounds Growth Rate	\$0.00 3%	N/A General Inflation							
Green Fees - Guest Rounds Growth Rate	\$75.00 3%	Reflects recent increase General Inflation Rate							
Green Fees - Tournament Rounds Growth Rate	\$75.00 3%	2003-2008 figure show constant increases. General Inflation							
Green Fees - Discounted Resort Rounds % of Hotel Resort Rounds Growth Rate	\$87.50 50% 3%	Reflects recent increase Reflects recent increase General Inflation							
Green Fees - Hotel Resort Rounds Growth Rate	\$175.00 3%	5 Star hotel rounds; Mandarin Oriental and Regent. Supported by \$125- 190 per round rack rates for hotel guests at Bahia Beach and the \$160 to \$170 rack rates at the Trump International Golf Club. General Inflation							
Cart Fees - for All Rounds Growth Rate	\$24.00 3%	Reflects recent increase General Inflation							
Country Club Restaurant Food & Beverage per Member (all Club Members) Growth Rate	\$1,000.00 3%	2003-2008 figure show constant increases.	\$0.00	\$493.68	\$705.34	\$740.31	\$939.16	\$845.58	\$1,003.62
Cost of Sales Overhead - Fixed Component (includes Carts) Overhead - Variable Component based on Rounds	\$650,000 \$150,000	General Inflation Decreases as sales increase. 28.5% and 28.9% during 2007-2008 Management projection Management projection	0.0%	39.3%	41.7%	33.1%	28.5%	28.9%	31.8%

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Line Item	Forecast Value	Rationale	2003	2004	2005	2006	2007	2008	Budget 2009
Golf Carts Food & Beverage per Round less Hotel Resort Rounds	\$4.85	Average 2005-2008 has been \$4.63. Data for 2004 is an outlier. No data available for 2003.	\$0.00	\$1.99	\$3.96	\$5.10	\$4.76	\$4.70	\$4.59
Golf Carts Food & Beverage per Hotel Resort Round	\$10.00	Management projection.							
Growth Rate	3%	General inflation	0.0%	38.6%	13.4%	21.6%	20.3%	23.2%	23.5%
Cost of Sales	22%	Average 2006-2008 has been 21.7%.							
Tennis Food & Beverage per Member (all Club Members)	\$380.00	Average 2004-2008 has been \$333.40. 2003 figure considered an outlier. 2007 at \$350.12 and 2008 at \$366.07, showing increases.	\$185.02	\$339.56	\$299.30	\$311.94	\$350.12	\$366.07	\$441.98
Growth Rate	3%	General inflation							
Cost of Sales	35%	Average 2004-2008 has been 35.2%.	37.0%	37.2%	37.8%	34.0%	32.1%	35.1%	30.3%
Overhead - Fixed Component	\$125,000	Management projection							
Overhead - Variable Component based on Members	\$80.00	Management projection							
Beach Club Food & Beverage per Member (all Club Members)	\$580.00	Average 2006-2008 has been \$578.62. 2005 figure considered an outlier. No figures for previous years.	\$0.00	\$0.00	\$377.94	\$925.49	\$569.50	\$541.48	\$695.51
Growth Rate	3%	General inflation							
Cost of Sales	33%	Average 2006-2008 has been 32.7%.	0.0%	0.0%	31.2%	34.4%	30.4%	33.4%	28.0%
Overhead - Fixed Component	\$250,000	Management projection							
Overhead - Variable Component based on Members	\$100.00	Management projection							
Beach Bohio Food & Beverage per Hotel Guest	\$5.00	Management projection.							
Beach Bohio Fixed F&B Revenue Component	\$350,000	Management projection.							
Growth Rate	3%	General inflation							
Cost of Sales	25%	Average 2005-2008 has been 23.3%. No data for previous years.	0.0%	0.0%	25.3%	21.6%	21.5%	24.4%	24.6%
Overhead - Fixed Component	\$150,000	Management projection.							
Overhead - Variable Component based on Hotel Guests	\$0.50	Management projection.							
Total Current Hotel Rooms	230	Management projection.							
Hotel Room Adds - Mandarin (1st Phase)	2013	Projection							
Year of Mandarin (1st Phase)	130	Management projection.							
Hotel Room Adds - Regent's (2nd Phase)	2014	Projection							
Year of Regent's (2nd Phase)	60%	Management projection.							
Initial Hotel Occupancy	2%	Management projection.							
Occupancy Growth Rate	70%	Management projection.							
Maximum Occupancy	1.5	Management projection.							
Guest per Room	365	Management projection.							
Guest Nights Per Year	10,00%	The projections for two under-construction and proposed five-star clubs range from 9% to 15% as a range, with 9% to 11% as the most probable reported capture rates. Historical rates for Ritz-Carlton Half Moon Bay in California and White Witch in Jamaica range from 8% to 11%. Turtle Bay Resort in Hawaii has a historical rate of 8%.							
% of Guests that Play Golf Rounds per Day									
Golf Merchandise per Round less Hotel Resort Rounds	\$11.00	2003-2008 data shows constant increases.	\$8.31	\$9.38	\$9.39	\$9.85	\$10.68	\$11.35	\$11.09
Golf Merchandise per Hotel Resort Round	\$25.00	Management projection.							
Growth Rate	3%	General inflation	72.4%	63.0%	59.5%	56.1%	58.6%	59.9%	65.0%
Cost of Sales	65%	Average 2003-2008 has been 61.6%							
Tennis Merchandise per Member	\$120.00	Average 2005-2008 has been \$119.84. Previous years outliers.	\$72.60	\$87.34	\$117.18	\$113.66	\$130.29	\$118.21	\$143.66
Growth Rate	3%	General inflation	56.5%	50.7%	46.7%	43.4%	50.0%	52.2%	55.0%
Cost of Sales	55%	Average 2005-2008 has been 48.1%, but 2007 and 2008 at 50.0% and 52.2%.							
Beach Merchandise per Member	\$22.00	Average 2005-2008 has been \$21.97. Previous years outliers.	\$9.36	\$11.65	\$21.24	\$22.23	\$25.02	\$19.38	\$25.47
Growth Rate	3%	General inflation	79.4%	62.0%	59.8%	52.6%	46.0%	48.0%	58.0%
Cost of Sales	52%	Average 2005-2008 has been 51.6%.							

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Line Item	Forecast Value	Rationale	2003	2004	2005	2006	2007	2008	Budget 2009
Golf Other per Round	\$12.50	Average 2006-2008 has been \$12.25. Previous years outliers. 2007 at \$12.54 and 2008 at \$12.40	\$4.96	\$5.85	\$9.70	\$11.82	\$12.54	\$12.40	\$12.52
Growth Rate	3%	General Inflation							
Cost of Sales	14.5%	Average 2006-2008 has been 14.2%. For 2007-2008 it has been 14.4%	37.7%	32.7%	14.7%	14.0%	12.3%	16.4%	14.6%
Tennis Other per Member	\$425.00	2003-2008 figures show constant increases, with 2008 at \$423.86	\$122.68	\$158.76	\$175.59	\$201.23	\$232.94	\$423.86	\$515.86
Growth Rate	3%	General Inflation	67.8%	56.0%	60.2%	52.3%	46.3%	22.1%	24.4%
Cost of Sales	25%	2008 figure with large jump in revenues has 22.1% figure.							
Beach Other per Member	\$250.00	2003-2008 figures show constant increases, with 2007 at \$277.67 and a drop to \$242.60 in 2008.	\$136.15	\$173.23	\$236.37	\$222.75	\$277.67	\$242.60	\$330.33
Growth Rate	3%	General Inflation	0.0%	0.3%	0.3%	0.5%	0.4%	0.6%	0.7%
Cost of Sales	0.6%	2008 figure.							
Golf Club Operating Expenses	\$2,154,733	2009 Reflects cutbacks implemented in 2008							
Growth Rate	3%	General Inflation							
Golf Course Maintenance	\$1,458,726	2009 Reflects cutbacks implemented in 2008							
Growth Rate	3%	General Inflation							
Escalation due to 5-Star Hotel opening	50%	Management projection.							
Beach Club Operating Expenses	\$865,166	Management projection.							
Growth Rate	3%	General Inflation							
Tennis Operating Expenses	\$831,136	2009 Reflects cutbacks implemented in 2008							
Growth Rate	3%	General Inflation							
Membership Expense	\$378,741	2009 Reflects cutbacks implemented in 2008							
Growth Rate	3%	General Inflation							
Marketing	\$191,341	2009 Reflects cutbacks implemented in 2008 and reallocation							
Growth Rate	3%	General Inflation							
Accounting	\$360,554	2009 Reflects reallocation							
Growth Rate	3%	General Inflation							
Personnel	\$208,593	2009 Reflects reallocation							
Growth Rate	3%	General Inflation							
MIS	\$196,941	2009 Reflects reallocation							
Growth Rate	3%	General Inflation							
General & Administrative	\$831,258	2009 Reflects cutbacks implemented in 2008 and reallocation							
Growth Rate	3%	General Inflation							
Stabilized Reserve Replacement before Hotel (CapEx)	\$250,000	Management projection.							
Initial CapEx Year of Hotel Start	\$1,000,000	Management projection.							
Stabilized Reserve Replacement with Hotel	\$500,000	Management projection.							
Growth Rate	3%	General Inflation							

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Line Item	1 2010	2 2011	3 2012	4 2013	5 2014	6 2015	7 2016	8 2017	9 2018	10 2019
MEMBER PROJECTION										
Base Line of New Home Sales	60	80	110	120	120	140	140	140	140	140
New Home Sales with Start of Hotel	-	-	-	25	25	25	25	25	25	25
New Home Sales	60	80	110	145	145	165	165	165	165	165
New Members from Homes Sales at	27	36	50	65	65	74	74	74	74	74
New Outside Memberships	50	50	50	50	50	50	50	50	50	50
Total Potential New Members	77	86	100	115	115	124	124	124	124	124
Resignations at	(77)	(82)	(90)	(104)	(104)	(112)	(112)	(112)	(112)	(112)
Full Golf										
Cap	446	446	448	452	458	463	468	474	480	485
Full Golf Members - BOY	35	39	45	52	52	56	56	56	56	56
Full Golf Members - New at	(35)	(37)	(40)	(47)	(47)	(50)	(50)	(50)	(50)	(50)
Full Golf Members - Resign	446	447	450	455	460	466	471	477	482	488
Full Golf Members - EOY	41	41	41	41	41	41	41	41	41	41
Avg. Mem. - BOY + % of New Mem.	-	-	-	-	-	-	-	-	-	-
President Golf - BOY	41	41	41	41	41	41	41	41	41	41
President Golf - New	41	41	41	41	41	41	41	41	41	41
President Golf - Resignations	487	488	491	496	501	507	512	518	523	529
Total President Members - EOY	458	458	460	466	472	479	485	492	499	506
Avg. Mem. - BOY + % of New Mem.	42	47	55	63	63	68	68	68	68	68
Total Dues Paying Members	(42)	(45)	(49)	(57)	(57)	(62)	(62)	(62)	(62)	(62)
Beach Club										
Cap	458	458	460	466	472	479	485	492	499	506
Beach Club Members - BOY	42	47	55	63	63	68	68	68	68	68
Beach Club Members - New at	(42)	(45)	(49)	(57)	(57)	(62)	(62)	(62)	(62)	(62)
Beach Club Members - Resign	458	459	463	469	475	482	489	496	502	509
Beach Club Members - EOY	37	37	37	37	37	37	37	37	37	37
Avg. Mem. - BOY + % of New Mem.	-	-	-	-	-	-	-	-	-	-
President Golf - BOY	37	37	37	37	37	37	37	37	37	37
President Golf - New	37	37	37	37	37	37	37	37	37	37
President Golf - Resignations	495	496	500	506	512	519	526	533	539	546
Total President Members - EOY	37	37	37	37	37	37	37	37	37	37
Avg. Mem. - BOY + % of New Mem.	37	37	37	37	37	37	37	37	37	37
Total Dues Paying Members	495	496	500	506	512	519	526	533	539	546

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Line Item	1	2	3	4	5	6	7	8	9	10
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
DEPOSITS & DUES CALCULATION										
Initiation Deposits										
Full Golf Initiation Deposit	\$23,000									
Discounts, Upgrades and Other	(\$7,000)									
Avg. Full Golf Initiation Deposit	\$16,000	\$16,480	\$16,974	\$17,484	\$18,008	\$18,548	\$19,105	\$19,678	\$20,268	\$20,876
3.0%										
Beach Club Initiation Deposits										
Full Golf Initiation Deposit	\$15,000	\$14,935	\$15,383	\$15,845	\$16,320	\$16,809	\$17,314	\$17,833	\$18,368	\$18,919
Discounts, Upgrades and Other	(\$500)									
Avg. Beach Club Initiation Deposit	\$14,500	\$14,935	\$15,383	\$15,845	\$16,320	\$16,809	\$17,314	\$17,833	\$18,368	\$18,919
3.0%										
Total Full Golf Deposits	9,298,930	637,776	760,029	906,745	933,947	1,037,087	1,068,199	1,100,245	1,133,253	1,167,250
Full Golf Resignation Refunds at	(1,691,273)	(121,177)	(136,805)	(163,214)	(168,110)	(186,676)	(192,276)	(198,044)	(203,985)	(210,105)
Net Full Golf Deposits	7,607,657	516,599	623,224	743,531	765,837	850,411	875,923	902,201	929,267	957,145
Total Beach Club Deposits	614,075	706,426	841,837	1,004,346	1,034,476	1,148,717	1,183,179	1,218,674	1,255,235	1,292,892
Beach Club Resignation Refunds	(122,815)	(134,221)	(151,531)	(180,782)	(186,206)	(206,769)	(212,972)	(219,361)	(225,942)	(232,720)
Net Beach Club Deposits	491,260	572,205	690,307	823,564	848,271	941,948	970,207	999,313	1,029,292	1,060,171
Total Initiation Deposits	934,780	1,088,803	1,313,530	1,567,094	1,614,107	1,792,359	1,846,130	1,901,514	1,958,559	2,017,316
Membership Dues										
Full Golf Dues	\$3,650	\$3,760	\$3,873	\$3,989	\$4,108	\$4,232	\$4,359	\$4,489	\$4,624	\$4,763
Beach Club Dues	\$2,948	\$3,037	\$3,128	\$3,222	\$3,318	\$3,418	\$3,520	\$3,626	\$3,735	\$3,847
Total Full Golf Dues	1,777,714	1,834,683	1,902,141	1,978,478	2,059,140	2,143,718	2,232,400	2,324,474	2,420,063	2,519,295
Total Beach Club Dues	1,459,412	1,506,785	1,564,246	1,630,200	1,700,140	1,773,655	1,850,923	1,931,230	2,014,590	2,101,419
Total Membership Dues	3,237,126	3,341,469	3,466,387	3,608,678	3,759,280	3,917,374	4,083,323	4,255,704	4,434,753	4,620,714

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Avg Beach Club Member Balance	982	984	991	1,002	1,014	1,026	1,038	1,050	1,063	1,075
Total Rounds	432,057	34,044	34,192	41,971	46,718	47,208	47,712	48,221	48,736	49,255
Hotel Resort Rounds	83,647	0	0	7,556	12,063	12,304	12,550	12,801	13,057	13,318
Total Rounds less Resort Rounds	348,410	34,044	34,192	34,415	34,655	34,904	35,162	35,421	35,679	35,937
OTHER REVENUE										
Merch Revenue Rates										
Golf Merch per Round less Resort Round	\$16.01	\$11.33	\$11.67	\$12.02	\$12.38	\$12.75	\$13.13	\$13.53	\$13.93	\$14.35
Golf Merch per Hotel Round	\$3.26	\$25.75	\$26.52	\$27.32	\$28.14	\$28.98	\$29.85	\$30.75	\$31.67	\$32.62
Tennis Merch per Member	\$0.00	\$123.60	\$127.31	\$131.13	\$135.06	\$139.11	\$143.29	\$147.58	\$152.01	\$156.57
Beach Merch per Member	\$0.00	\$22.66	\$23.34	\$24.04	\$24.76	\$25.50	\$26.27	\$27.06	\$27.87	\$28.71
Merchandise Revenue										
Golf Merchandise Revenue	6,919,086	385,720	399,020	620,076	768,462	801,883	836,472	872,778	910,689	950,214
Tennis Merchandise Revenue	1,410,266	121,641	126,197	131,391	136,889	142,662	148,722	155,018	161,557	168,349
Beach Merchandise Revenue	258,549	22,301	23,136	24,088	25,096	26,155	27,266	28,420	29,619	30,864
Total Gross Merchandise Revenue	8,587,902	529,661	548,353	775,556	930,448	970,499	1,012,460	1,056,215	1,101,844	1,149,427
COGS										
Golf Merchandise	4,497,408	250,718	259,363	403,050	499,500	521,094	543,707	567,306	591,935	617,639
Tennis Merchandise	775,647	66,903	69,408	72,265	75,289	78,464	81,797	85,260	88,856	92,592
Beach Merchandise	134,445	11,596	12,031	12,526	13,050	13,600	14,178	14,778	15,402	16,049
Total COGS	5,407,498	329,217	340,802	487,841	587,840	613,158	639,682	667,344	696,193	726,280
Total Merchandise Net Revenue	8,587,902	529,661	548,353	775,556	930,448	970,499	1,012,460	1,056,215	1,101,844	1,149,427
Total COGS	(5,407,498)	(329,217)	(340,802)	(487,841)	(587,840)	(613,158)	(639,682)	(667,344)	(696,193)	(726,280)
Total Merchandise Net Revenue	3,180,404	200,445	207,551	287,715	342,608	357,341	372,778	388,872	405,652	423,147
Other Revenue Rates										
Golf Other per Round	\$12.50	12.88	13.26	13.66	14.07	14.49	14.93	15.37	15.83	16.31
Tennis Other per Member	\$425.00	437.75	450.88	464.41	478.34	492.69	507.47	522.70	538.38	554.53
Beach Other per Member	\$250.00	257.50	265.23	273.18	281.38	289.82	298.51	307.47	316.69	326.19
Other Revenue										
Golf Other Revenue	6,259,891	438,318	453,432	573,285	657,263	684,085	712,136	741,330	771,714	803,337
Tennis Other Revenue	4,994,694	430,812	446,949	465,344	484,817	505,261	526,724	549,021	572,181	596,236
Beach Other Revenue	2,938,055	253,419	262,911	273,732	285,186	297,213	309,838	322,953	336,577	350,727
Total Gross Other Revenue	14,192,640	1,122,548	1,163,291	1,312,360	1,427,266	1,486,558	1,548,698	1,613,304	1,680,471	1,750,300
Other COGS										
Golf Other	907,684	63,556	65,748	83,126	95,303	99,192	103,260	107,493	111,898	116,484
Tennis Other	1,248,673	107,703	111,737	116,336	121,204	126,315	131,681	137,255	143,045	149,059
Beach Other	17,628	1,521	1,577	1,642	1,711	1,783	1,859	1,938	2,019	2,104
Total Other COGS	2,173,986	172,780	179,062	201,105	218,218	227,291	236,800	246,686	256,963	267,647

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Line Item	1	2	3	4	5	6	7	8	9	10
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total / Avg										
Total Other Net Revenue	14,192,640	1,122,548	1,163,291	1,312,360	1,427,266	1,486,558	1,548,698	1,613,304	1,680,471	1,750,300
Total Other Revenue	(2,173,986)	(172,780)	(179,062)	(201,105)	(218,218)	(227,291)	(236,800)	(246,696)	(256,963)	(267,647)
Total COGS										
Total Other Net Revenue	12,018,654	949,769	984,229	1,111,256	1,209,048	1,259,268	1,311,898	1,366,618	1,423,508	1,482,653
EXPENSES										
Golf Club Operating Expenses	2,154,733	2,219,375	2,285,956	2,354,535	2,425,171	2,497,926	2,572,864	2,650,050	2,729,552	2,811,438
Golf Course Maintenance	1,458,726	1,502,488	1,547,563	1,593,344	1,639,984	1,687,714	1,736,595	1,786,693	1,838,074	1,890,806
Beach Club Operating Expenses	865,166	891,121	917,855	945,390	973,752	1,002,965	1,033,053	1,064,045	1,095,966	1,128,845
Tennis Club Operating Expenses	831,136	856,070	881,752	908,205	935,451	963,514	992,420	1,022,192	1,052,858	1,084,444
Membership Expenses	378,741	390,104	401,807	413,861	426,277	439,065	452,237	465,804	479,778	494,171
Marketing	191,341	197,081	202,994	209,084	215,356	221,817	228,471	235,325	242,385	249,657
Accounting	360,554	371,370	382,511	393,987	405,806	417,980	430,520	443,435	456,738	470,441
Personnel	208,593	214,850	221,296	227,935	234,773	241,816	249,070	256,542	264,239	272,166
MIS	196,941	202,849	208,935	215,203	221,659	228,309	235,158	242,213	249,479	256,964
General & Administrative	\$831,258	856,196	881,882	908,339	935,589	963,656	992,566	1,022,343	1,053,013	1,084,604
Total Expenses	7,477,189	7,701,505	7,932,550	8,897,881	9,164,817	9,439,762	9,722,955	10,014,643	10,315,063	10,624,535
CAPITAL EXPENDITURES										
Stab Reserve Replacement before Hotel	250,000	257,500	265,225	-	-	-	-	-	-	-
Initial CapEx Year of Hotel Start	-	-	-	1,092,727	-	-	-	-	-	-
Stabilized Reserve Replacement with Hotel	-	-	-	-	562,754	579,637	597,026	614,937	633,385	652,387
Reserve Replacement / CapEx	250,000	257,500	265,225	1,092,727	562,754	579,637	597,026	614,937	633,385	652,387

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Line Item	1 2010	2 2011	3 2012	4 2013	5 2014	6 2015	7 2016	8 2017	9 2018	10 2019
Average Number of Full Golf Members	487	488	491	496	501	507	512	518	523	529
Resort Hotel Guest Round Calculation										
Current Hotel Rooms	-	-	-	-	-	-	-	-	-	-
Mandarin (1st Phase)	-	-	-	230	230	230	230	230	230	230
Regent's (2nd Phase)	-	-	-	-	130	130	130	130	130	130
Total Hotel Rooms	-	-	-	230	360	360	360	360	360	360
Occupancy	0.0%	0.0%	0.0%	60.0%	61.2%	62.4%	63.7%	64.9%	66.2%	67.6%
Guest Per Room	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Occupied Room Nights	-	-	-	75,555	120,625	123,038	125,498	128,008	130,569	133,180
% Capture Rate	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Hotel Resort Rounds	-	-	-	7,556	12,063	12,304	12,550	12,801	13,057	13,318
Number of Rounds										
Member Rounds	16,071	16,103	16,209	16,368	16,539	16,717	16,902	17,086	17,271	17,455
Guest Rounds	6,428	6,441	6,483	6,547	6,616	6,687	6,761	6,834	6,908	6,982
Tournament Rounds	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200
Discounted Resort Rounds	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300
Hotel Resort Rounds	-	-	-	7,556	12,063	12,304	12,550	12,801	13,057	13,318
Total Rounds	33,999	34,044	34,192	41,971	46,718	47,208	47,712	48,221	48,736	49,255
Member Rounds per Full Golf Member	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0

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Line Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GOLF FEE REVENUE CALCULATION										
Green Fees per Round										
Member Rounds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Guest Rounds	\$75.00	\$77.25	\$79.57	\$81.95	\$84.41	\$86.95	\$89.55	\$92.24	\$95.01	\$97.86
Tournament Rounds	\$75.00	\$77.25	\$79.57	\$81.95	\$84.41	\$86.95	\$89.55	\$92.24	\$95.01	\$97.86
Discounted Resort Rounds	\$87.50	\$90.13	\$92.83	\$95.61	\$98.48	\$101.44	\$104.43	\$107.61	\$110.84	\$114.17
Hotel Resort Rounds	\$175.00	\$180.25	\$185.65	\$191.23	\$196.96	\$202.87	\$208.96	\$215.23	\$221.68	\$228.34
Cart Fees per Round										
Member Rounds	\$24.00	\$24.72	\$25.46	\$26.23	\$27.01	\$27.82	\$28.66	\$29.52	\$30.40	\$31.31
Guest Rounds	\$24.00	\$24.72	\$25.46	\$26.23	\$27.01	\$27.82	\$28.66	\$29.52	\$30.40	\$31.31
Tournament Rounds	\$24.00	\$24.72	\$25.46	\$26.23	\$27.01	\$27.82	\$28.66	\$29.52	\$30.40	\$31.31
Discounted Resort Rounds	\$24.00	\$24.72	\$25.46	\$26.23	\$27.01	\$27.82	\$28.66	\$29.52	\$30.40	\$31.31
Hotel Resort Rounds	\$24.00	\$24.72	\$25.46	\$26.23	\$27.01	\$27.82	\$28.66	\$29.52	\$30.40	\$31.31
Green Fees Revenue										
Member Rounds	482,130	497,580	515,875	536,579	558,455	581,393	605,444	630,416	656,340	683,253
Guest Rounds	390,000	401,700	413,751	426,164	438,948	452,117	465,680	479,651	494,040	508,862
Tournament Rounds	551,250	567,788	584,821	602,386	620,437	639,050	658,221	677,968	698,307	719,256
Discounted Resort Rounds	-	-	-	1,444,817	2,375,883	2,496,102	2,622,405	2,755,099	2,894,507	3,040,969
Hotel Resort Rounds	1,423,380	1,467,068	1,514,447	3,009,925	3,993,723	4,168,662	4,351,751	4,543,133	4,743,194	4,952,339
Cart Fees Revenue										
Member Rounds	385,704	398,064	412,700	429,263	446,764	465,115	484,356	504,332	525,072	546,602
Guest Rounds	154,282	159,226	165,080	171,705	178,706	186,046	193,742	201,733	210,029	218,641
Tournament Rounds	124,800	128,544	132,400	136,372	140,463	144,677	149,018	153,488	158,093	162,836
Discounted Resort Rounds	151,200	155,736	160,408	165,220	170,177	175,282	180,541	185,957	191,536	197,282
Hotel Resort Rounds	-	-	-	198,146	325,835	342,323	359,644	377,842	396,961	417,047
Total Cart Fees Revenue	815,986	841,570	870,589	1,100,707	1,261,945	1,313,443	1,367,300	1,423,353	1,481,690	1,542,407
Total Golf Fees Revenue	1,423,380	1,467,068	1,514,447	3,009,925	3,993,723	4,168,662	4,351,751	4,543,133	4,743,194	4,952,339
Total Green Fees Revenue	815,986	841,570	870,589	1,100,707	1,261,945	1,313,443	1,367,300	1,423,353	1,481,690	1,542,407
Total Cart Fees Revenue	2,239,366	2,308,638	2,385,036	4,110,633	5,255,668	5,482,105	5,719,052	5,966,486	6,224,884	6,494,747

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Line Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total / Avg	10,225	984	991	1,002	1,014	1,026	1,038	1,050	1,063	1,075
Total Club Member Balance	33,999	34,044	34,192	41,971	46,718	47,208	47,712	48,221	48,736	49,255
Total Rounds	0	0	0	7,556	12,063	12,304	12,550	12,801	13,057	13,318
Hotel Resort Rounds	33,999	34,044	34,192	34,415	34,655	34,904	35,162	35,421	35,679	35,937
Total Rounds less Resort Rounds	-	-	-	75,555	120,625	123,038	125,498	128,008	130,569	133,180
Total Hotel Guests	-	-	-	-	-	-	-	-	-	-
F&B OPERATIONS										
F&B Revenue Rates										
Country Club F&B per Member	\$1,000.00	\$1,030.00	\$1,060.90	\$1,092.73	\$1,125.51	\$1,159.27	\$1,194.05	\$1,229.87	\$1,266.77	\$1,304.77
Golf Cart F&B per Round less Hotel Rnds	\$4.85	\$5.00	\$5.15	\$5.30	\$5.46	\$5.62	\$5.79	\$5.96	\$6.14	\$6.33
Golf Cart F&B per Hotel Resort Round	\$10.00	\$10.30	\$10.61	\$10.93	\$11.26	\$11.59	\$11.94	\$12.30	\$12.67	\$13.05
Tennis F&B per Member	\$380.00	\$391.40	\$403.14	\$415.24	\$427.69	\$440.52	\$453.74	\$467.35	\$481.37	\$495.81
Beach Club F&B per Member	\$580.00	\$597.40	\$615.32	\$633.78	\$652.80	\$672.38	\$692.55	\$713.33	\$734.73	\$756.77
Bohio Fixed F&B Revenue	\$350,000	\$360,500	\$371,315	\$382,454	\$393,928	\$405,746	\$417,918	\$430,456	\$443,370	\$456,671
Bohio F&B per Hotel Guest	\$5.00	\$5.15	\$5.30	\$5.46	\$5.63	\$5.80	\$5.97	\$6.15	\$6.33	\$6.52
Total Food & Beverage Revenue	164,897	170,067	175,931	222,435	255,018	265,425	276,309	287,636	299,425	311,695
F&B Revenue										
Country Club F&B Revenue	\$862,000	\$1,013,675	\$1,051,644	\$1,094,926	\$1,140,745	\$1,188,850	\$1,239,352	\$1,291,813	\$1,346,307	\$1,402,908
Golf Carts F&B Revenue	\$164,897	\$170,067	\$175,931	\$264,933	\$324,937	\$338,882	\$353,482	\$368,714	\$384,606	\$401,186
Tennis F&B Revenue	\$373,160	\$385,196	\$399,625	\$416,072	\$433,483	\$451,763	\$470,954	\$490,889	\$511,597	\$533,105
Beach Club F&B Revenue	\$569,560	\$587,931	\$609,953	\$635,057	\$661,632	\$689,533	\$718,824	\$749,252	\$780,858	\$813,687
Bohio F&B Revenue	\$350,000	\$360,500	\$371,315	\$382,454	\$393,928	\$405,746	\$417,918	\$430,456	\$443,370	\$456,671
Total Food & Beverage Revenue	2,439,617	2,517,369	2,608,468	3,206,268	3,633,550	3,787,946	3,949,788	4,118,296	4,293,740	4,476,406
F&B COGS										
Country Club F&B COGS	294,600	304,102	315,493	328,478	342,224	356,655	371,805	387,544	403,892	420,873
Golf Carts F&B COGS	36,277	37,415	38,705	58,290	71,486	74,554	77,766	81,117	84,613	88,261
Tennis F&B COGS	130,606	134,819	139,869	145,625	151,719	158,117	164,834	171,811	179,059	186,387
Beach Club F&B COGS	187,955	194,017	201,285	209,569	218,339	227,546	237,212	247,253	257,683	268,517
Bohio F&B COGS	87,500	90,125	92,829	198,815	268,188	279,730	291,794	304,407	317,593	331,380
Total F&B COGS	736,938	760,478	786,180	940,776	1,051,955	1,086,601	1,143,411	1,192,132	1,242,841	1,295,617
F&B Gross Profit										
Country Club F&B Gross Profit	687,400	709,572	736,151	766,448	798,522	832,195	867,546	904,269	942,415	982,036
Golf Carts F&B Gross Profit	128,620	132,652	137,227	206,664	253,451	264,328	275,716	287,597	299,993	312,925
Tennis F&B Gross Profit	242,554	250,378	259,756	270,447	281,764	293,646	306,120	319,078	332,538	346,518
Beach Club F&B Gross Profit	381,605	393,914	408,669	425,488	443,294	461,987	481,612	501,999	523,175	545,170
Bohio F&B Gross Profit	262,500	270,375	278,486	596,445	804,564	839,189	875,383	913,220	952,779	994,139
Total F&B Gross Profit	1,702,679	1,756,891	1,820,288	2,265,492	2,581,594	2,691,344	2,806,377	2,926,163	3,050,900	3,180,789

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Line Item	1	2	3	4	5	6	7	8	9	10
F&B Overhead										
Country Club & Carts Overhd	797,300	821,551	847,332	874,511	902,693	931,856	962,037	993,190	1,025,347	1,058,539
Tennis F&B Overhead	203,560	209,844	216,744	224,185	231,948	240,017	248,405	257,079	266,051	275,329
Beach Club F&B Overhead	348,200	358,867	370,389	382,674	395,452	408,704	422,448	436,650	451,323	466,484
Bohio F&B Overhead	150,000	154,500	159,135	205,190	236,709	245,208	254,034	263,198	272,716	282,601
Total F&B Overhead	1,499,060	1,544,763	1,593,600	1,686,560	1,766,801	1,825,785	1,886,923	1,950,117	2,015,436	2,082,953
F&B Income										
Country Club & Golf Carts F&B Income	18,720	20,673	26,046	98,601	149,280	164,667	181,226	198,677	217,061	236,422
Tennis F&B Income	38,994	40,534	43,012	46,262	49,816	53,629	57,715	61,999	66,487	71,189
Beach Club F&B Income	33,405	35,046	38,279	42,814	47,842	53,284	59,164	65,349	71,852	78,686
Bohio F&B Income	112,500	115,875	119,351	391,255	567,555	593,980	621,349	650,022	680,063	711,538
Total F&B Income	203,619	212,129	226,688	578,931	814,793	865,560	919,454	976,046	1,035,463	1,097,836
Net Profit Margin	8.3%	8.4%	8.7%	18.1%	22.4%	22.9%	23.3%	23.7%	24.1%	24.5%

MCGLOSKEY, MULET & BONNIN APPRAISERS, P.S.C.
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SUMMARY CASH FLOW PROJECTION											
Line Item	Budget 2009	1 2010	2 2011	3 2012	4 2013	5 2014	6 2015	7 2016	8 2017	9 2018	10 2019
PALMAS COUNTRY CLUB INC.											
PALMAS DEL MAR, PUERTO RICO											
New Home Sales	80	60	80	100	145	145	165	165	165	165	165
New Memberships	102	77	86	95	115	115	124	124	124	124	124
Net New Full Golf Members	(26)	5	6	6	8	8	8	8	8	8	8
Average Annual Full Golf Members	500	490	495	501	508	516	524	533	541	549	558
Net New Beach Club Members	27	6	7	8	10	10	10	10	10	10	10
Average Annual Beach Club Members	482	498	505	512	521	531	540	551	561	571	581
ROUNDS											
Member Rounds	17,900	16,157	16,338	16,540	16,774	17,031	17,298	17,574	17,851	18,128	18,405
Guest Rounds	7,625	6,463	6,535	6,616	6,710	6,812	6,919	7,030	7,140	7,251	7,362
Tournament Rounds	4,335	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200
Discounted Resort Rounds	4,920	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300
Hotel Resort Rounds					7,556	12,063	12,304	12,550	12,801	13,057	13,318
Total Rounds	34,780	34,119	34,374	34,656	42,538	47,406	48,020	48,654	49,292	49,936	50,584
Member Rounds per Member	37	33	33	33	33	33	33	33	33	33	33
DEPOSITS											
Net Full Golf Deposits	207,700	460,152	529,354	602,294	752,598	775,176	860,782	886,605	913,203	940,600	968,818
Net Beach Club Deposits	724,229	509,682	586,333	667,124	833,607	858,615	953,435	982,039	1,011,500	1,041,845	1,073,100
Total Deposits	931,929	969,834	1,115,687	1,269,419	1,586,205	1,633,791	1,814,217	1,868,644	1,924,703	1,982,444	2,041,918
DUES											
Full Golf Annual Dues	1,790,155	1,787,201	1,851,501	1,941,003	2,027,537	2,120,325	2,218,140	2,321,240	2,428,530	2,540,168	2,656,318
Beach Club Annual Dues	1,397,476	1,469,777	1,533,258	1,602,610	1,678,629	1,760,539	1,847,122	1,938,622	2,033,950	2,133,253	2,236,683
Total Dues	3,187,631	3,256,977	3,384,759	3,543,612	3,706,166	3,880,864	4,065,262	4,259,862	4,462,480	4,673,421	4,893,002
TOTAL REVENUE											
Total Deposits & Dues Revenue	4,119,560	4,225,812	4,510,446	4,813,031	5,292,371	5,514,655	5,879,479	6,128,506	6,387,183	6,655,865	6,934,919
Total Golf Fees Revenue	1,634,375	2,244,820	2,324,057	2,407,380	4,138,839	5,290,847	5,524,894	5,770,131	6,026,314	6,293,940	6,573,529
Total Food & Beverage Net Revenue	150,111	209,980	229,829	252,339	611,313	855,178	914,682	978,083	1,044,729	1,114,739	1,188,279
Total Merchandise Net Revenue	208,950	195,131	202,805	210,972	292,034	347,994	363,892	380,598	398,032	416,224	435,209
Total Other Net Revenue	1,076,617	924,967	962,657	1,002,906	1,134,833	1,238,452	1,295,034	1,354,594	1,416,625	1,481,229	1,548,505
Total Net Revenue	7,188,613	7,800,610	8,229,795	8,686,628	11,469,390	13,247,127	13,977,982	14,611,922	15,272,884	15,961,968	16,680,442
EXPENSES											
Golf Club Operating Expenses	2,091,974	2,154,733	2,219,375	2,285,956	2,354,535	2,425,171	2,497,926	2,572,864	2,650,050	2,729,552	2,811,438
Golf Course Maintenance	1,399,143	1,458,726	1,502,488	1,547,563	2,321,344	2,380,984	2,462,714	2,536,595	2,612,693	2,691,074	2,771,806
Beach Club Operating Expenses	839,967	865,166	881,121	917,855	945,390	973,752	1,002,965	1,033,053	1,064,045	1,095,966	1,128,845
Tennis Club Operating Expenses	806,928	831,136	856,070	881,752	908,205	935,451	963,514	992,420	1,022,192	1,052,868	1,084,444
Membership Expenses	367,710	378,741	390,104	401,807	413,861	426,277	439,065	452,237	465,804	479,778	494,171
Marketing Expenses	185,768	191,341	197,081	202,994	209,084	215,356	221,817	228,471	235,325	242,385	249,657
Accounting	350,052	360,554	371,370	382,511	393,967	405,806	417,980	430,520	443,435	456,738	470,441
Personnel	202,517	208,593	214,850	221,296	227,935	234,773	241,816	249,070	256,542	264,239	272,166
MIS	191,205	196,941	202,849	208,935	215,203	221,659	228,309	235,158	242,213	249,479	256,964
General & Administrative	807,047	831,258	856,196	881,882	908,339	935,589	963,656	992,566	1,022,343	1,053,013	1,084,504
Total Expenses	7,242,311	7,477,189	7,701,505	7,932,550	8,897,881	9,164,817	9,439,762	9,722,955	10,014,543	10,315,083	10,624,535

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SUMMARY CASH FLOW PROJECTION											
Line Item	Budget 2009	1 2010	2 2011	3 2012	4 2013	5 2014	6 2015	7 2016	8 2017	9 2018	10 2019
NET INCOME											
Gross Profit	7,189,613	7,800,610	8,229,795	8,686,628	11,469,390	13,247,127	13,977,982	14,611,922	15,272,884	15,961,998	16,680,442
Total Expenses	(7,242,311)	(7,477,189)	(7,701,505)	(7,932,550)	(8,897,881)	(9,164,817)	(9,439,762)	(9,722,955)	(10,014,643)	(10,315,083)	(10,624,535)
Net Operating Income	(52,698)	323,421	528,290	754,078	2,571,509	4,082,310	4,538,221	4,888,967	5,258,240	5,646,915	6,055,907
NET CASH FLOW											
Net Operating Income	(52,698)	323,421	528,290	754,078	2,571,509	4,082,310	4,538,221	4,888,967	5,258,240	5,646,915	6,055,907
Reserve Replacement / CapEx	(359,666)	(230,000)	(257,500)	(265,225)	(1,092,727)	(562,754)	(579,637)	(597,026)	(614,937)	(633,385)	(652,387)
Net Cash Flow before Debt Service	(412,364)	73,421	270,790	488,853	1,478,782	3,519,555	3,958,584	4,291,941	4,643,303	5,013,530	5,403,520

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Reconciliation of Projections

The preceding projections begin at approximately 34,000 rounds for Year 1, relatively similar to the 33,334 rounds for 2008 and supported by the 14,829 rounds from January to May 2009. The other input parameters are closely tied to the historical subject data, or in the case of the hotel capture rates are based on solid evidence from similar properties.

Discount and Terminal Capitalization Rates

To determine the applicable discount and terminal capitalization rates for the subject golf course, we relied upon the published data in the Third Quarter 2005 edition of the Korpacz Real Estate Investors Survey. The golf course rate survey has not been published again since. The survey's parameters for the national golf market follow:

DISCOUNT AND CAPITALIZATION RATES
NATIONAL GOLF MARKET

Statistic	Spring 2005		Spring 2004	
Discount Rate				
Range	9.00%	18.00%	9.00%	21.00%
Average	13.78%		14.00%	
Overall Capitalization Rate				
Range	5.02%	17.00%	4.90%	21.20%
Average	10.77%		10.98%	
Terminal Capitalization Rate				
Range	9.00%	13.25%	8.90%	13.25%
Average	11.00%		11.00%	

The following table shows how the Korpacz Yield Indicator (KYI), a composite average of all markets surveyed by the company), were decreasing until 2007, and have since been increasing to the point where the January 2009 the KYI was 8.96%, just under the 9.43% average rate for 2005%.

YIELD COMPARISONS January 1, 2009							
	2004 AVERAGE	2005 AVERAGE	2006 AVERAGE	2007 AVERAGE	2008 AVERAGE	2008 OCTOBER	2009 JANUARY
Korpacz Yield Indicator (KYI) ^a	10.28%	9.43%	8.81%	8.41%	8.47%	8.65%	8.96%
Long-Term Mortgages ^b	6.08%	5.57%	6.45%	5.84%	6.50%	6.82%	7.98%
10-Year Treasuries ^c	4.21%	4.29%	4.76%	4.72%	3.82%	3.77%	2.46%
Consumer Price Index Change ^d	3.16%	4.30%	1.32%	2.50%	3.65%	(8.17%)	(10.03%)
SPREAD TO KYI (Basis Points)							
Long-Term Mortgages	420	385	336	157	197	184	98
10-Year Treasuries	607	514	405	369	465	489	650
Consumer Price Index Change	712	513	749	491	482	1,483	1,899

a. A composite IRR average of the markets surveyed.
b. Fixed-rate mortgages: immediate funding. Source: Creditline Publishing, Inc. Following April 2005, source is CB Richard Ellis/L. Moley Capital Markets; reflects conventional funding for one-year, 75% LTV commercial loans.
c. Source: Federal Reserve; the annual average change is the mean of the four corresponding quarters.
d. Source: U.S. Department of Labor; quarterly changes are annualized based on the index change from the prior quarter; the annual average change is the mean of the four corresponding quarters.

Extrapolating this, we conclude that the 2009 rates for the golf industry should be similar or slightly lower to those of 2005. Considering this, but also the risk in projecting future performance for this particular property under prevailing market conditions, we conclude with a discount rate of 15% and a terminal capitalization rate of 12%.

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For the negative cash flows, if applicable, we considered a safe rate of 3% (approximate yield of a 5-year Treasury Note, a safe investment for a timeframe of half the projection period). All cash flows were discounted together, since membership deposits net of reimbursements create a recurring income stream. The reason is that reimbursements occur at a rate of one per each four similar memberships sold by the club, and also the amount returned is based on the original cost of the membership which is typically lower than the current cost.

Discounted Cash Flow – Market Value Indication

The following tables summarize the market value calculations for the going concern of the club, and for the membership initiation fees:

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Line Item	Budget 2009	1 2010	2 2011	3 2012	4 2013	5 2014	6 2015	7 2016	8 2017	9 2018	10 2019
Net Cash Flow before Debt Service	(412,364)	2,406	142,247	385,647	1,273,699	3,267,933	3,654,607	3,932,653	4,225,659	4,534,351	4,898,491
Reversion										39,885,842	
Total Cash Flow	(412,364)	2,406	142,247	385,647	1,273,699	3,267,933	3,654,607	3,932,653	4,225,659	44,220,193	
Negative Cash Flows	(412,364)	-	-	-	-	-	-	-	-	-	
Positive Cash Flows		2,406	142,247	385,647	1,273,699	3,267,933	3,654,607	3,932,653	4,225,659	44,220,193	
Present Value											
Rounded											

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Reconciliation

Based on the preceding analysis, we conclude with a market value indication by the Income Capitalization Approach, for the fee simple interest in the subject Palmas del Mar country club, subject to the extraordinary assumptions identified within this report, and as of an effective date of value of June 30, 2009, rounded at:

-----\$19,700,000-----
-----NINETEEN MILLION SEVEN HUNDRED THOUSAND DOLLARS-----

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THE SALES COMPARISON APPROACH

The steps in the Sales Comparison Approach follow:

1. Research the market to obtain information on sales transactions, listings, and offers to purchase and sell properties that are similar to the subject in terms of property type, date of sale, size, physical condition, location, and zoning.
2. Verify the information by confirming that the data obtained are factually accurate and that the transactions reflect arm's-length, market considerations. Verification may elicit additional information about the market.
3. Select relevant units of comparison and develop a comparative analysis for each unit.
4. Compare the comparable sale properties with the subject using the elements of comparison and adjust the sale price of each comparable to the subject property or eliminate the sale property as a comparable.
5. Reconcile the various value indications produced from the analysis of the comparables into a single value indication or a range of values.

There is only one sale of a freestanding golf course in Puerto Rico, which is the sale of the Caguas Real Golf Course. The relevant information about this transaction, and its analysis, follows:

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Comparable Golf Course Sale No. 1

Location	:	Caguas Real Home Resort, Exit 23, Luis A. Ferré Expressway, Turabo Ward, Caguas, Puerto Rico
Grantor	:	Airport Shoppes and Hotel Corp.
Grantee	:	Caguas Real Golf, S.E
Date of Sale	:	October 25, 2004
Area of Parcel	:	150 cuerdas
Course Yardage	:	6,693 yards
Sale Price	:	\$5,750,000
Price per Cuerda	:	\$38,333
Price per Hole	:	\$319,444
Price Yard (back tees)	:	\$859
Terms of Sale	:	Cash to Seller
Deed Data	:	Deed 188 before Ernesto Meléndez Pérez
Topography	:	Undulating



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Description of the Comparable Sale

The comparable golf course is an 18-hole facility, and measures approximately 6,693 yards from the championship tees, 6,095 yards from the back tees, 5,560 yards from the middle tees, and 4,848 yards from the front tees. The course carries a par-71 with the front nine being a par-36 and the back nine par-35. The course rating was not available.

Yardage

The following table indicates the yardage from the back tees.

Hole	1	2	3	4	5	6	7	8	9	Out
Yards Back Tees	494	399	385	506	438	205	383	192	360	3,362
Par	5	4	4	5	4	3	4	3	4	36
Hole	10	11	12	13	14	15	16	17	18	In
Yards Back Tees	422	197	387	453	180	521	447	212	512	3,331
Par	4	3	4	4	3	5	4	3	5	35
Total Yardage										6,693
Total Par										71

Turfgrass

- * Greens: Tifdwarf Bermuda or Similar
- * Tees: 419 Tifway Bermuda or Similar
- * Roughs and Fairways: 419 Tifway Bermuda or Similar

Irrigation System

100% sprinklered in the greens, fairways, and immediate rough. The system is computer controlled.

Trees

The course is attractively landscaped.

Greens, Bunkers

According to the owner, the greens and bunkers meet U.S.G.A. specifications and are of sufficient size to allow adequate movement of the pin placement.

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Driving Range and Practice Green

Existing at the time of the sale.

Improvements after the Purchase

The buyer had to build a clubhouse and other ancillary improvements after the purchase. The following table summarizes the clubhouse and ancillary improvement areas envisioned at the time the transaction was negotiated.

Clubhouse	Basement	Ground	Total
Conference Room	0	2,000	2,000
Pro-Shop	1,600	0	1,600
Offices	1,600	0	1,600
F&B Storage	800	0	800
Pro-Shop Storage	800	0	800
Members' Lounge	0	1,600	1,600
Men's Locker Room	0	2,400	2,400
Women's Locker Room	0	800	800
Gym	0	2,000	2,000
Snack Bar	0	400	400
Cart Storage	5,000	0	5,000
Bag Room	1,200	0	1,200
Total	11,000	9,200	20,200
<u>Ancillary Structures</u>			
Oasis	300		
Starter Booth	200		
Maintenance Building	<u>5,000</u>		
Total	5,500		

The parking lot is asphalt paved, with a capacity for 200 parking spaces. Other improvements envisioned were full-length concrete cart paths, in addition to rest stations/rain shelters and a starter's shack.

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The following table summarizes the investment estimated by the buyer when the transaction was negotiated:

Component	Cost
Clubhouse Improvements	\$3,000,000
Maintenance Equipment	\$450,000
Maintenance Facilities	\$150,000
Appraisal	\$15,000
Engineering & Architecture	\$75,000
Signage	\$42,750
Six Months Operations	\$300,000
Legal Costs	\$50,000
Bank Commission	\$57,750
12 Months Interest	\$231,000
Total	\$4,371,500

Analysis of the Comparable Sale

The comparable sale was purchased in fee simple, with all cash to seller terms and typical conditions of sale. No adjustments are required for these elements of comparison. The comparable sale dates from October of 2004 so it is four years old. Given current and expected market conditions, we consider that this sale ranges from similar to superior in market conditions.

In terms of location, the comparable sale is considered inferior since even though it is located closer to San Juan, the subject is a mature resort property with room to grow, including the proposed addition of two five-star hotel developments (Regent at Punta Candelerio and Mandarin Oriental at Punta Guayanés. The comparable sale is also considered inferior to the subject in the overall quality of the course, since Caguas Real is a short and narrow course whereas the Flamboyán course has 7,117 yards, and both have wider fairways and were designed by renowned golf course architects.

The only other difference between this sale and the subject is that the latter has the golf clubhouse, the beach club and the tennis club, none of which are present in the comparable sale. The following table summarizes the replacement cost of these improvements as of 2009, based on their original cost inflated at 5%/year.

Component	Date Completed	Total Cost	Increase/Yr	Current Year	Current Cost	Rounded
Golf Clubhouse	1999	\$8,200,000	5%	2009	\$13,356,936	\$13,400,000
Beach Club	2003	\$5,780,000	5%	2009	\$7,745,753	\$7,700,000
Tennis Club	1984	\$665,000	5%	2009	\$2,251,926	\$2,300,000
Total						\$23,400,000

Since the improvements are not new, their contribution to value as an adjustment to the golf course comparable sale should be based on the depreciated value of the improvements. The physical depreciation was found by dividing the effective age of each component by its estimated total economic life.

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The effective age was considered to be the same as the chronological age. The total economic life was estimated based on the indications from the Marshall Valuation Service, an industry-accepted cost manual for valuation purposes. We also considered that current and projected economic conditions are impacting recreational facilities such as the subject and thus it would not be feasible to build them today. To address this, we estimated an allowance for external (economic) obsolescence of 30% of the replacement cost new.

The computation of the depreciate value of the improvements is summarized below.

Component	Current Cost	Actual Age	Effective Age (EA)	Total Economic Life (TEL)	Physical Depreciation % (EA/TEL)	Economic Obsolescence	Total Depreciation	Depreciated Value	Rounded
Golf Clubhouse	\$13,400,000	10	10	45	22%	25%	47%	\$7,072,222	\$7,100,000
Beach Club	\$7,700,000	6	6	45	13%	25%	38%	\$4,748,333	\$4,700,000
Tennis Club	\$2,300,000	15	15	30	50%	25%	75%	\$575,000	\$600,000
Total									\$12,400,000

The adjustment process is summarized below:

Element of Comparison	Comparable Rating	Adjustment	Rationale
Qualitative Adjustments			
Market Conditions	Similar to Superior	Negative (--)	
Location	Superior	Positive (+)	Comparable is located closer to San Juan, but subject is within a mature resort property.
Quality of Course	Inferior	Positive (+)	Subject has more functional design, with wider fairways and a Par 72 in the Flamboyán Course.
Net Adjustment	Similar	Neutral	Adjustments offset each other
Quantitative Adjustments			
Contribution of Building Improvements	Superior	\$12,400,000	Depreciated Value of Improvements

Reconciliation

The following table summarizes the adjusted unitary indications after applying the quantitative condition adjustment, and considering that the qualitative adjustments offset each other:

Comparable Sale Price \$5,750,000

Unit of Comparison	Sale Units	Price/Unit	Subject Units	Indicated Value	Condition Adjustment	Adjusted Value
Whole	1	\$5,750,000	2	\$11,500,000	\$12,400,000	\$23,900,000
Holes	18	\$319,444	36	\$11,500,000	\$12,400,000	\$23,900,000
Yards from Back Tees	6,693	\$859	13,792	\$11,848,797	\$12,400,000	\$24,248,797
Final Value Opinion						\$24,200,000

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Based on the preceding indications, we conclude with a market value indication by the Sales Comparison Approach, for the fee simple interest in the subject Palmas del Mar country club, subject to the extraordinary assumptions identified within this report, and as of an effective date of value of June 30, 2009, rounded at:

-----\$24,200,000-----
-----TWENTY FOUR MILLION TWO HUNDRED THOUSAND DOLLARS-----

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RECONCILIATION AND FINAL MARKET VALUE OPINION

The purpose of this appraisal was to develop a going concern and a real estate market value opinion for the subject property in its current condition, subject to the Extraordinary Assumptions identified on Page 3. The reader should be aware that changes in these assumptions could impact the reported value opinions. Property rights appraised are those of the fee simple interest of all components.

The valuation analysis carried out indicates that there is no business enterprise value, so the going concern and real estate market values are numerically the same.

The following table summarizes the two value indications derived:

Approach	Value Indication
Income Capitalization Approach	\$19,700,000
Sales Comparison Approach	\$24,200,000

The Income Capitalization Approach figure assumes the construction of two hotels. However, if the hotels were not built it would be possible to close one course while maintaining minimum maintenance so as not to damage it and still maintain most of the rounds generated in the other course. Therefore, it cannot be said that by not having the courses the value of the club would drop significantly below the value indication above, especially since the two proposed hotels are currently seeking financing and at some point in the future should be able to obtain it given the quality of the proposed brands. The weakness in this approach is that it is based on a large number of input parameters.

The Sales Comparison Approach is considered a high-end indication since the course was purchased by the owner of several development parcels within the Caguas Real development. The buyer also owns the Dorado del Mar Golf Club. These two conditions may have impacted the price because of the economies of scale in managing two courses, and the ability to control the quality of the course at Caguas Real where he is selling residential units. This approach is a reliable indication given the good comparable golf course sale and historical construction cost data for the subject improvements.

Based on the preceding analysis, we conclude that both approaches should carry equal weight in the final market value reconciliation.

In conclusion, it is our opinion that the market value of the fee simple interest in the subject Palmas del Mar Country Club, as of June 30, 2009, was a rounded:

-----\$22,000,000-----
-----TWENTY TWO MILLION DOLLARS-----

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CERTIFICATION OF THE APPRAISER

I certify, that to the best of my knowledge and belief,.....

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this assignment or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- As of the date of this report, I, **Robert F. McCloskey Díaz**, have completed the requirements under the continuing education program of the Appraisal Institute.

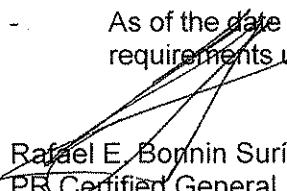
Robert F. McCloskey Díaz, MAI, CRE, MIE
PR Certified General Real Estate Appraiser
Certificate No.17CG
PR License No.19
July 17, 2009

Palmas del Mar Country Club
July 17, 2009
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CERTIFICATION OF THE APPRAISER

I certify, that to the best of my knowledge and belief,.....

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
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- I have no bias with respect to the property that is the subject of this assignment or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- As of the date of this report, I, **Rafael E. Bonnin Surís**, have completed the requirements under the continuing education program of the Appraisal Institute.


Rafael E. Bonnin Surís, MAI, CRE
PR Certified General Real Estate Appraiser
Certificate No.11CG
PR License No.613
July 17, 2009

ADDENDA

RESORT DEVELOPMENT MARKET

RESORT DEVELOPMENT MARKET

Price Range

Palmas del Mar Resort has an entry-level price point of just under \$300,000 for both single-family and multi-family product. Therefore, this analysis will focus on products priced over this level.

Supply and Demand Analysis

Several different components of housing supply and demand exist for a resort community. Given that second homes are not a necessity, estimating demand does not rely solely on population or household growth, but requires a closer examination of the quality of potential demand, the feeder market's economy and type of product preferred. In order to avoid segmenting this market to a level where the information could be misleading, our supply and demand analysis focuses on the resort market as a whole and includes single family and multi-family units, regardless of the intended use (principal residence, secondary residence, rental property).

Estimate of Supply

Puerto Rico Supply

Considering that Palmas del Mar is a beachfront resort, we considered competitive supply to be only sites located within resorts with similar amenities. In order to quantify the size of the potential supply of units within resort properties for the next three to five years, we analyzed Planning Board data and contacted the designers and/or developers of the projects identified.

The following table summarizes the relevant information for projects in the market area currently under construction or marketing, as of May 31, 2009.

Resort	Hotel/Resort Brand	Project Name	Product	Price Range	Proposed	Units Market	Current Market	Closed/Opt/ Res	%	Not Optioned in Market	Not Closed in Market	Subsequent Phases	
Dorado Beach	Ritz Reserve	Dorado Beach East	SF	\$1,300,000	\$2,000,000	67	24	43	17	40%	26	30	24
Dorado Beach	Ritz Reserve	Plantation Village	MF	\$750,000	\$1,650,000	240	150	90	22	24%	68	69	150
Dorado Beach	Ritz Reserve	Residences (Beach)	MF										
Dorado Beach	Ritz Reserve	Residences (Golf)	MF										
Coco Beach	Melie/Fairmont/Trump	Paradise Chalets	MF	\$1,500,000	\$1,900,000	56	0	56	0	0%	56	56	0
Palmas del Mar	Regent/Mandarin	Solarea	MF	\$700,000	\$1,500,000	74	0	74	11	15%	63	74	0
Palmas del Mar	Regent/Mandarin	Plaza del Mar	MF	\$995,000	\$1,425,000	24	0	24	4	17%	20	23	0
Palmas del Mar	Regent/Mandarin	Marbella Club Big 1	MF	\$500,000	\$1,100,000	30	0	30	8	27%	22	22	0
Palmas del Mar	Regent/Mandarin	The Woods	MF	\$400,000	\$550,000	35	0	35	32	69%	4	7	0
Palmas del Mar	Regent/Mandarin	Harbour Lakes	MF	\$300,000	\$425,000	250	90	160	73	46%	87	88	90
Palmas del Mar	Regent/Mandarin	Palmerova Village	MF	\$400,000	\$700,000	124	65	58	41	71%	17	21	66
Palmas del Mar	Regent/Mandarin	Aquabella	TH	\$435,000	\$700,000	130	0	130	101	78%	29	30	0
Palmas del Mar	Regent/Mandarin	Los Lagos	SF	\$800,000	\$1,500,000	112	54	58	19	33%	39	58	54
Palmas del Mar	Regent/Mandarin	The Views	SF	\$575,000	\$685,000	58	17	41	8	20%	33	41	17
Palmas del Mar	Regent/Mandarin	Villa Franca II	SF	\$275,000	\$409,000	79	0	79	42	53%	37	54	0
Palmas del Mar	Regent/Mandarin	Costa Verde	SF	\$650,000	\$1,100,000	42	0	42	39	93%	3	7	0
Rio Mar	Wyndham	Ocean Sixteen	MF	\$800,000	\$2,300,000	87	0	87	34	39%	53	58	0
Rio Mar	Wyndham	Vistas del Cacique	MF	\$400,000	\$700,000	78	0	78	33	42%	45	45	0
Bahia Beach	St. Regis	Las Estancias	SFD	\$3,800,000	\$9,000,000	26	26	26	6	23%	20	22	26
Bahia Beach	St. Regis	Las Ventanas	MF	\$1,100,000	\$2,700,000	24	0	24	15	63%	9	24	0
Bahia Beach	St. Regis	Las Olas	TH	\$3,200,000	\$3,200,000	10	0	10	4	40%	6	10	0
Bahia Beach	St. Regis	Lac Verandas	MF	\$500,000	\$1,800,000	90	14	76	45	59%	31	55	14
Bahia Beach	St. Regis	Condo-Hotel	MF	\$700,000	\$1,900,000	98	0	98	0	0%	98	98	0
Horned Dorset	Relais Chateaux	Residences	MF	\$700,000	\$1,800,000	17	0	17	6	35%	11	17	0
Totals						1,888	570	1,337	560	42%	777	909	570

The previous table shows that there are 909 units in projects under construction currently unsold, of which 132 are optioned and 777 are still available. There are also 570 additional units in subsequent phases at these projects.

The following table contains our estimate of proposed units within a three- to five-year span within competitive existing resorts.

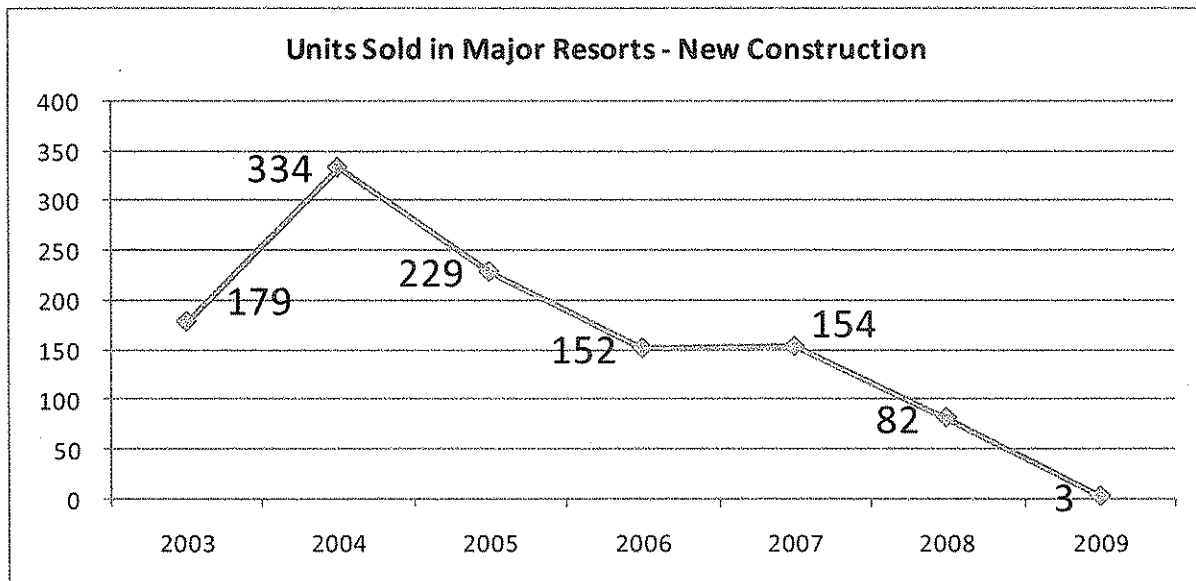
SUMMARY - PROPOSED PROJECTS INVENTORY (3-5 Year Span)				
Resort	Project	Product	Total	3-Year
Dorado Beach	Beachfront & Golf View Res	MF	111	21
Palmas del Mar	Palmas Inn	MF	99	0
Palmas del Mar	Candelero Point	MF	301	0
Palmas del Mar	Fishermen's Village	MF	36	0
Palmas del Mar	Mandarin Oriental	MF	154	154
Palmas del Mar	King's Helmet	SF/MF	79	0
Sub-Total			669	154
Coco Beach	R2/R4/R5/R6/R7/R8	SF/MF	423	147
Sub-Total			423	147
Cayo Largo	Several		248	0
Conquistador Estates	Sun & Sea Condominiums	MF	0	0
Grand Total			1,451	322

This shows that there are an additional 322 units that could come into the market if developers continue with their current plans. This points to a potential supply of approximately 1,801 (909 unsold + 570 in subsequent phases + 322 proposed) units within the next three to five years. The following table summarizes general information on additional proposed resorts currently in the pipeline. These resorts could represent additional competition to the subject resort, but the timeline for units at these projects is probably beyond three to five years.

PROSPECTIVE LUXURY RESORT DATA SHEET			
Resort Name	El Conquistador Estates	Unit Types	Single Family and Multi-Family
Residential Units	728	Prices	N/A
Hotel Rooms	300	Golf Holes	9
CH/Time Share	0	Time to Market	TBD
Project Status	Owners waiting to see if sister-project Dos Mares can move forward under current government administration, to then market the project with what would be positive expectations for the Dos Mares resort.		
Resort Name	Cayo Largo	Unit Types	Single Family and Multi-Family, Lots
Residential Units	1,719	Prices	Overall \$500,000 Plus
Hotel Rooms	315	Golf Holes	18
CH/Time Share	96	Time to Market	1 year
Project Status	Hotel being remodeled, owners looking for a five-star brand. The golf course is proposed to open during 2009, and the hotel during 2010. No concrete plans for residential product yet.		
Resort Name	Isabela Sporting Club	Unit Types	Estate Lots, Condo-Hotel Units
Residential Units	49	Prices	High End
Hotel Rooms	50	Golf Holes	27
CH/Time Share	36	Time to Market	2008
Project Status	Golf course under construction.		
Resort Name	El Conquistador	Unit Types	Villas
Residential Units	1,000 plus	Prices	High End
Hotel Rooms	N/A	Golf Holes	18
CH/Time Share	N/A	Time to Market	TBD
Project Status	Not Available		

Estimate of Demand - Inferred Analysis – Puerto Rico Buyers

There is not sufficient data from which to estimate an amount of annual demand for the high-end luxury resort product. We have already estimated current and anticipated supply of projects in Puerto Rico, assuming projects currently not in construction do not make it to market and subsequent phases in existing projects are of not built, of 886 units. The graph on the following page shows the approximate absorption of new-construction units in the Island's principal resorts (Dorado Beach, Río Mar, Palmas del Mar and El Conquistador) since 2003. The graph shows that the market peaked in 2004, and then appeared to stabilize at close to 150 units per year during 2006 and 2007. However, the Puerto Rico economy began its deterioration during this period, and the impact is shown in the 2008 absorption of just over half that of 2007, with 2009 showing a dismal absorption of only three units in almost six months.



Assuming the market would again stabilize at close to 150 units per year, the under-construction inventory of 909 units would take approximately six (6) years to be absorbed (barring new construction).

Based on the preceding analysis, we conclude that there is insufficient local demand to absorb the existing stock in the short time.

Residual Analysis

Since demand cannot be reasonably quantified, a residual analysis cannot be performed. However, it has been established that the market is currently over-supplied, with excess inventory necessitating at least six years to stabilize.

Capture Rate

In order to determine the probable capture rate of the subject resort, we performed a ranking analysis. The following table summarizes our ranking analysis of the existing resorts currently in the market:

RESORTS RANKING MATRIX

Resort	Access	Size	Beach	Golf	Prestige	Vistas	Amenities	Total
Dorado Beach Ritz Reserve	5	4	5	5	5	4	5	33
Bahía Beach	4	5	5	3	5	4	5	31
Palmas del Mar Guayanés	4	4	4	4	5	5	5	31
Coco Beach	4	4	3	4	4	4	4	27
Río Mar	4	5	4	4	3	3	4	27
Isabela Sporting Club	3	4	4	4	3	5	3	26
Puerto del Rey / Cayo Largo	4	4	3	3	3	4	4	25
El Conquistador	3	3	3	3	3	5	5	25
Costa Caribe	3	5	2	4	4	3	3	24

Access:	Distance to SJMA
Size:	Large enough to allow
Beach:	Quality and length of b
Golf:	Number of holes
Prestige:	Existing or propoed br
Vistas:	Overall views from ava
Amenities:	Beach club, tennis club

The previous table shows that the top resort in Puerto Rico is Dorado Beach, assuming the Ritz-Carlton Reserve be built. However, this resort is still proposed. The Mandarin Oriental at Palmas del Mar is also a proposed project, without which the resort's ranking would not be as high. The only top-tier resorts currently in the market are Bahía Beach (anchored by a St. Regis hotel), and Coco Beach (now Trump International Golf Club and with a JW Marriott under construction next to the existing Sol Meliá).

Other top proposed resorts used to be the San Miguel and Dos Mares resorts. However, former Governor Aníbal Acevedo Vilá issued an executive order creating the Northeast Ecological Corridor (NEC), which directs the Department of Natural and Environmental Resources (DNER) to acquire land within the corridor. As a result of this order, the Trust for Public Lands (TPL) has reportedly been in conversations with the owners of both resorts. Therefore, it appears that if they are developed their scope will most probably be significantly reduced.

Absorption Rates

The following rates summarize the historical absorption rates for projects within Puerto Rico's principal resorts.

ABSORPTION RATES - Multi-Family

Project Name	Location	Total Units	Units Sold	Date 1	Date N	Sales/Mo.
Marbella Club II and III	Palmas de Mar, Humacao	60	59	6/15/01	6/1/03	2.5
Rio Mar Village	Rio Mar, Rio Grande	160	157	6/15/02	6/15/04	6.5
Las Vistas del Rio Mar (Cluster 5)	Rio Mar, Rio Grande	47	34	8/27/02	11/18/03	2.3
Las Vistas del Rio Mar (Cluster 5)	Rio Mar, Rio Grande	47	47	8/27/02	10/29/04	1.8
Maralago	Palmas de Mar, Humacao	72	72	5/30/03	8/31/05	2.7
Marbella Club IV and V	Palmas de Mar, Humacao	58	57	1/30/04	1/20/06	2.4
Aquabella	Palmas de Mar, Humacao	131	100	3/17/04	6/12/09	1.6
Las Casitas II	El Conquistador, Fajardo	67	67	7/12/04	8/31/05	4.9
Harbour Point	Palmas de Mar, Humacao	60	59	8/24/04	3/15/07	1.9
Las Vistas del Rio Mar (Cluster 6)	Rio Mar, Rio Grande	41	41	8/24/04	12/30/05	2.5
The Woods	Palmas de Mar, Humacao	36	28	3/24/06	2/28/07	2.5
Harbour Lakes	Palmas de Mar, Humacao	160	72	11/30/06	6/12/09	2.4
Vistas del Cacique	Rio Mar, Rio Grande	78	43	3/30/06	6/12/09	1.1
Average 2001-2006						2.7
Median 2001-2006						2.4
Marbella Club I	Palmas de Mar, Humacao	30	8	3/30/07	6/12/09	0.3
Plantation Village Building 1	Dorado Beach, Dorado	30	21	8/15/07	6/12/09	1.0
Ocean Sixteen	Rio Mar, Rio Grande	87	29	9/21/07	6/12/09	1.4
Average 2007-2009						0.9
Median 2007-2009						1.0

ABSORPTION RATES - Single-Family

Project Name	Location	Total Units	Units Sold	Date 1	Date N	Sales/Mo.
Dorado Beach East	Dorado Beach, Dorado	353	96	1/1/03	12/31/06	2.0
Costa Verde	Palmas de Mar, Humacao	42	31	9/22/04	11/21/06	1.2
Average 2001-2006						1.6
Median 2001-2006						1.6
Dorado Beach East	Dorado Beach, Dorado	353	16	1/1/07	6/12/09	0.5
Villa Franca II	Palmas de Mar, Humacao	79	25	4/13/07	6/12/09	1.0
Average 2007-2009						0.8
Median 2007-2009						0.8

The preceding table shows how absorption rates from 2001 to 2006 averaged close to 2.5 units per month for multi-family product and close to 1.5 units per month for single-family product. As the economy began deteriorating in 2007, absorption rates dropped to half or less than in preceding years with averages of close to 1 unit per month for multi-family product and 0.8 units per month for single-family product.

In our opinion, the prevailing slow absorption rates will continue until market participants perceive overall economic conditions as improving, at which time they should increase but possibly to levels lower than historically since sales from 2001 to 2006 were partially fueled by speculative investments from small private investors, and this market is expected to be much smaller moving forward.